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A Substitute For Universal Military Training

In a memorandum prepared by Crandall Melvin, President of the Merchants National Bank and Trust Company of Syracuse, N. Y., and a member of the New York State Judicial Council, which was submitted to the National Chamber of Commerce, a substitute is proposed for a system of universal and compulsory military training. The plan sets aside the project for "glorified physical training program" of one year's duration, and in its stead, proposes systematic technical traning under Federal and State jurisdiction. The plan as stated in outline form is as follows:

Crandall Melvin

Introduction

It should be emphasized again that compulsory military training was not the answer for Japan, Germany or France. This is not said in defense of our own abysmal lack of preparation, but to point

(Continued on page 270)

Index of Regular Features on page 288.

Business Men Not Devoid Of Moral Responsibility

By EMIL SCHRAM*

President of the New York Stock Exchange

Pleading for Confidence and National Unity, Mr. Schram Denounces the Cynical Theory of Certain Economists that Business Men Seek Selfish Interests and Lack Moral Leadership and Responsibility. Expresses Confidence That Whatever Changes May Be Required in Converting From War to Peace Will Be Made. Discussing the Responsibility of Management, of Security-Holders, and of the Financial Community, He Calls Attention to the New York Stock Exchange's Important Position in Maintaining Stability and Confidence Due to Its Use by More People Than any Other Financial Institution. Open Markets Essential.

As I look over this audience, and consider our subject, it occurs to me that the business which I represent may have more customers here than any other business. Not all of you patronize the same store — I am sure not all of you drive the same make of automobile. But it is a fair guess that most of you own securities listed on the New York Stock Exchange.

Emil Schram

You are vitally interested in the obligations of the New York Stock Exchange to management and to stockholders; you are also vitally interested in the obligations of stockholders and management to each other.

Of course, the supreme obligation which today faces the whole nation is to maintain confidence,

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*Remarks by Mr. Schram at a Luncheon meeting of the Economic Club of Detroit, Detroit, Mich., January 15, 1945.

(Continued on page 274)

Inflation and Post-War Reconversion Problems

By DR. LEWIS H. HANEY*

Professor of Economics, New York University

Economist Asserts That Infiation Is Growing Steadily Due Chiefly to Idle Funds Which Cannot Be Spent at the Current Price Levels. Says It Is Analogous to Reason Given for Cancellation of Unused Ration Coupons, Namely, There Were Too Many Outstanding in Relation to Food Supplies. Attacks the Policy of Lowering Bank Reserve Requirements as Permitting Greater Inflation Through Further Expansion of Deposit Currency. States Commodity Prices Should Be Permitted to Rise and Sees Paper Dollar Already Depreciated.

We are not going to become inflated; we are inflated. There is more debt owing by the nation than can be paid in any ordinary way. The burden of debt will have to be lightened — by inflation. There are more so-called liquid assets — which means idle funds — than can be used within any usual period at the current level of prices. (And, by the way, much of the "liquidity" of these so-called liquid assets, is due to the fact that they are "water," and cannot be turned into anything sold.)

Lewis H. Haney

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*An address by Dr. Haney before the 34th Annual Conference of the National Retail Dry Goods Association, Hotel Pennsylvania, New York City, Jan. 9, 1945.

(Continued on page 280)

What Will the Market Do In 1945?

Gerald M. Loeb Outlines the Responsibilities of Customers' Brokers and Expresses View That General Level of Stock Prices Will Rise This Year With Opportunities for High Grade as Well as Speculative Issues. Johns-Manville and Radio Pick of List.

Speaking extemporaneously and informally before the Association of Customers' Brokers in the Governor's Room of the New York Stock Exchange on Jan. 9, Gerald M. Loeb, partner of E. F. Hutton & Co., stressed the obligation the customers' broker owed to his client under modern conditions.

We print only part of the excerpts as were possible to be taken down during the meeting.

Gerald M. Loeb

"The Customers' Broker is becoming more and more of an investment advisor and a trustee for the funds of his clients, and he must work hard to justify his new and added responsibilities," according to Mr. Loeb. "The day of the broker who gets orders on his social contacts or simply through servicing them is passing. The Customers' Broker must not only study the stock market but must be posted on taxes and, in many cases, real estate and insurance as well. This takes a great deal of time; with the market monopolizing attention from before 10 to after 3,

(Continued on page 267)

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The American Dollar and The Bretton Woods Plan

By EDWIN WALTER KEMMERER*

Professor Emeritus of International Finance, Princeton University
President, Economists' National Committee on Monetary Policy

Professor Kemmerer Asserting That Monetary Stability Existed Under the International Gold Standard Before 1914 Lays Its Failure Thereafter to Economic Instability. Alleges That Bretton Woods Plan, Instead of Fostering Stability, Does the Opposite, by Allowing Flexible Paper-Money Standards to Many Nations, While a Few Adhere to a Rigid Standard. Says Plan Threatens to Debase the American Dollar and Therefore Should Be Rejected. Outlines a Nine Point Program for an International Gold Standard and Urges Rehabilitation of Our Monetary System on a Gold Basis.

My theme tonight is the American dollar. I shall first take a glance at its history. Then I shall try to forecast what would happen to it if the Bretton Woods Stabilization Plan should be adopted. Finally I shall state in brief outline my judgment as to what our future American monetary policy should be.

E. W. Kemmerer

Although my remarks will be from the standpoint of the American dollar, in the field of money I am a pronounced internationalist. Most of what is said, therefore, concerning the Bretton Woods Plan and the future of the American dollar will apply in principle to the monetary units of other advanced countries.

The American Dollar Prior to World War I

The clause in our Constitution giving to Congress the exclusive power to coin money and regulate the value thereof clearly contemplated a metallic money standard. Aside from the period of the Civil War greenback-standard and from a few brief and slight lapses in times of great emergency, the standard American dollar both *de facto* and *de jure* has always been a full-weight gold or silver dollar. For two generations of American bimetallism the dollar was both a fixed weight of gold and a fixed

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*An address by Professor Kemmerer given at the Institute on Money and the Law, New York City, January 16, 1945.

(Continued on page 278)

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Timothy Collins With Daniel F. Rice & Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—Timothy A. Collins has become associated with Daniel F. Rice & Co., Board of Trade Building, members of the New York and Chicago Stock Exchanges, as manager of the bond trading department. Mr. Collins has recently been with the U. S. Navy as radio instructor. Prior thereto he was manager of the bond trading department for Clement, Curtis & Co., and was Chicago manager for Ernst & Co., In the past he was with Salomon Bros. & Hutzler and Edward B. Smith & Co., predecessor of Smith, Barney & Co.

"Report from the War Front"

By FREDERICK C. CRAWFORD*

Former President of the National Association of Manufacturers

Describing a Recent Trip to France and the Western Front, Mr. Crawford Praises Highly the Organization for Conducting Military Operations, Particularly in the Matter of Engineering and Supplies. Contends That Economic and Food Conditions in France, as a Result of the German Occupation, Are Not as Bad as Painted and That the People's Attitude Toward Americans Is Not Highly Favorable and That "Germany Is Not Yet Hungry." Warns Against Over-Optimism and Assails the Censorship Which Withholds the True Situation From the American Public. Says the French "Underground" Is Largely Communistic.

I want to talk about this trip. I came home full of it. It was a wonderful trip. It was a wonderful opportunity to be taken abroad by the war Department and to get a look at this war. Perhaps, in a short time we got a better idea of what is going on than an officer who might be in the war but confined to one sector. It was filled with thrills. I came home with much disillusionment. I came home deeply sober. I came home proud as hell of our soldiers and proud of our Army organization. Through it all ran a vein of humor. I look back with

F. C. Crawford

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*An address by Mr. Crawford before the New York State Chamber of Commerce, Jan. 4, 1945.

(Continued on page 284)

Phila. National Bank Elects Vice Presidents

Edwin A. Henry and William T. I. Hall, heretofore Assistant Cashiers of the Philadelphia National Bank, have been elected Vice-Presidents.

G. Edward Cooper, who has been associated with the bank and bankers division for several years, has been appointed an Assistant Cashier.

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H. Hentz & Co., 60 Beaver St., New York City., members of the New York Stock Exchange and other leading exchanges, announce that Mason Bogen has become associated with them. Mr. Bogen will be in charge of the Institutional Bond Department.

Mr. Bogen was formerly with Goodbody & Co. and Merrill Lynch, Pierce, Fenner & Beane.

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NOTE—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

The Proposed Floor Trading Prohibition

By A. M. SAKOLSKI, City College

Economist Analyzes the Economic Functions of Floor Traders on Exchanges and Presents the Views of Prominent Financial Writers and Economists That the Trader Acts as a Price Stabilizer and Thus Benefits the Public. Holds Combination of the Trader-Broker Function, Under Legal and Stock Exchange Restrictions, Is Not Detrimental to the Public, and That the Investigation by the Trading and Exchange Division of the SEC, Claiming That the Floor Trader Engenders Excessive Trading and Excessive Price Fluctuations, Was Statistically Inadequate and Unfair.

A. M. Sakolski

Again the SEC threatens to destroy orderly security trading. While the nation is engaged in a life and death struggle; when all efforts are required to maintain an orderly home front as well as maximum military action; when unity and cooperation of government and business is required to maintain the system of free enterprise and preserve our way of life, a new "prohibition" (English for "verboten") is to be proclaimed by the Securities and Exchange Commission. It threatens not only to disrupt continuous and orderly marketing of securities but to revolutionize marketing practices that have prevailed for several centuries not only in stock and bond trading but in other fields as well.

It is proposed by the Securities and Exchange Commission, in a release issued January 16, 1945, that its Trading and Exchange Division adopt a rule "which would prohibit floor trading in stocks on the New York Stock Exchange and the New York Curb Exchange." The proposed rule provides that no member of these exchanges, while on the floor of the exchange or in its immediate vicinity "shall effect any transaction in a stock traded on the exchange for an account in which he has an interest or pursuant to any order in which he is vested with more than the usual floor broker's discretion." The rule would exempt transactions of specialists and odd-lot dealers "to the extent reasonably necessary to permit them to perform their respective functions," and it would not interfere with "any transaction to offset a transaction made in error, if such error was made in good faith."

A drastic curtailment of marketing functions which have formed an integral part of the marketing machinery on all important exchanges, and the prohibition of activities that have been pronounced as essential to price stability and to orderly marketing processes, is thus proposed, without due consideration of its implications or proper study of its probable disastrous effects.

(Continued on page 282)

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The Bretton Woods Proposals Versus Alternatives

By BENJAMIN HAGGOTT BECKHART*
Professor of Banking, Columbia University

Banking Expert, Holding That the International Monetary Fund Lacks Clarity, Singleness of Purpose and Internal Consistency, Points Out That the Quotas in the Fund Are Based on Political Considerations Rather Than on Economic Need, Credit Worthiness or Capacity for Repayment. Asserts Fund Is Not Tailored to the Needs of Borrowing Nations and Calls Attention to Controversy Regarding the Relationship of Its Stabilization Provisions to the Gold Standard, and to Other Obscurities Which Lead to the Conclusion That Fund Will Not Promote International Collaboration. Commends Plan of the International Bank but Stresses Importance of Sound Management as a Factor in Its Success. As Alternative to the Fund, He Presents a Seven Point Program, Based on Stabilization of Key Currencies, the Checking of Internal Inflation and the Removal of International Trade Barriers.

B. H. Beckhart

Six months ago, representatives of 43 nations and a French delegation, meeting at Bretton Woods, New Hampshire, gave general endorsement to the Articles of Agreement of an International Monetary Fund and an International Bank for Reconstruction and Development. The endorsement accorded these articles of agreement was limited in character. It did not bind the nations represented and did not imply full acceptance of all provisions of either plan. Whether the Bretton Woods agreements will be adopted generally will doubtless depend upon action by the United States. The reason is the obvious one that the funds loaned or provided for under either plan will consist largely of dollars.

Neither Agreement is to come into force until it has been signed by nations having 65% of the total quotas in the Fund and 65% of the capital in the Bank. The time limit for such assent is Dec. 31, 1945.

The fact that the United States must decide before the end of this year whether it will become a member of the International Monetary Fund and the International Bank means that Congressional

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*An address by Prof. Beckhart before the Institute on Money and the Law, New York City, Jan. 15, 1945.

(Conitnued on page 281)

"It's Your Money That's Involved"

A CORRECTION

The following statement from Dr. Walter E. Spahr, Professor of Economics, New York University, and Secretary of Economists' National Committee on Monetary Policy, with reference to an error in the original text of an article which appeared in a recent issue of the "Chronicle," is self-explanatory:

"In my article, 'It's Your Money That's Involved,' in the 'Chronicle' of Jan. 4, 1945, a sentence calls for correction. The original read (p. 71, col. 1): 'One of these laws is the Silver Purchase Act of June 19, 1934, which not only authorizes but *directs* the Secretary of the Treasury to buy all silver presented to him, at a price which he shall designate, . . .' It should read: 'One of these laws is the Silver Purchase Act of June 19, 1934, which not only authorizes but *directs* the Secretary to buy silver at a price which he shall designate, . . .' The reprints will carry the corrected sentence.—Walter E. Spahr."

Eckstein Now Is With O'Connell & Janareli

J. Francis Eckstein, formerly with Adams & Peck, has become associated with O'Connell & Janareli, 120 Broadway, New York City, as Manager of the bond department.

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Purchasing Power In The Transition Period

By DR. CHAS. F. ROOS*
President Econometric Institute, New York City

Business Research Executive Lays Decline in Retail Store Sales to Shortages, Particularly in Durable Goods, and Predicts That Should the National Disposable Income Drop to $100 Billion per Year, Sales of Non-durable Goods Items Will Drop to $45 Billion or a Decline of 22%. Because of the Shift in Family Incomes to Higher Levels, He Sees a Larger Demand for Semi-Luxury and Luxury Products, Even if Incomes Decline to 1942 Level, and Points to Possibility of Higher Purchasing Power if Congress Raises the Minimum Wage from 50 to 60 Cents per Hour.

Dr. Charles F. Roos

I have been asked to indicate to you what can be expected in the way of purchasing power and retail sales of various kinds of goods during the transition period following the European war. To make such forecasts, one needs to know where he is and how he got there. Therefore I shall devote the early part of my talk to a discussion of the relation of sales to purchasing power. The best measure we have of purchasing power is national income payments to individuals less taxes paid by them.

Within the range of past experience there is no indication of a shifting of the percentage of disposable income spent in all retail stores during years in which supply has been freely available. Since 1941, however, sales in retail stores have fallen, due to the shortages of supply, particularly in the durable goods field.

This is brought out more clearly when we separate non-durable goods from durable goods. In the non-durable goods field it is particularly important to note that since sales are about in line with income, retailers must expect a decline in their non-durable goods sales if income declines. In other words, if disposable income should drop to $100 billion per year, sales of non-durable goods items would drop from their present level of about $58 billion to about $45 billion, or 22%.

The sales of women's apparel and accessories in 1943 and 1944 were substantially above the average line of relationship that prevailed up to 1942. The reason is not hard to find. Women were working in greater proportion in 1943 and 1944 and so had income of their own which they could use. In other words, because of a shift in the distribution of income, sales to women relative to total income rose.

On the other hand, shoe sales in 1943 and 1944 were below demand based on income, due to rationing. As a matter of fact, sales in 1944 would have been about 25% larger without rationing. Sales of men's clothing and furnishings for 1941-44 are below the average line of relationship to income because of the drafting of men for the armed forces.

To round out the picture of retail trade, we have considered sales of stores handling highly restricted products. In all cases there are considerable gaps between actual sales and sales indicated by income.

Consumers' Stocks Low

Even in the non-durable goods areas, consumers' stocks are low despite record purchases. The reason is that high income accompanied by the activity which generates high income, results in greater wear and tear of semi-durable goods and, hence, higher demand. An active working population simply uses more shoes and other clothing and the great variety of semi-durable goods sold in department stores.

Moreover, the war has greatly raised income and also changed its distribution, and this has meant the introduction of new consum-

(Continued on page 261)

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*An address by Dr. Roos before the 34th Annual Conference of the National Retail Dry Goods Association, Hotel Pennsylvania, New York City, Jan. 11, 1945.

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Purchasing Power In The Transition Period

(Conitnued from page 260)

ers to semi-luxury and luxury products.

Once they have been able to develop a demand for these goods, they are likely to continue to buy them as long as the income level warrants it.

This changed distribution of income is sufficiently important to warrant further consideration. The table below shows shifts in distribution of families and single consumers by income level for 1935-36 and 1942:

	(In thousands) 1935-36	1942
Under $500	9,747	3,488
$ 500 and under $1,000	11,185	6,652
1,000 and under 2,000	12,240	12,609
2,000 and under 3,000	3,819	7,890
3,000 and under 5,000	1,565	7,253
5,000 and over	902	3,318

Whereas, in 1935-36, about 9,747,000 had incomes under $500, in 1942 only 3,488,000 had such incomes, and at the present time the figure is probably less than 1,000,000.

Likewise, whereas in 1935-36 about 11,185,000 had incomes between $500 and $1,000 per year, only 6,652,000 had such incomes in 1942. At the present time the figure is probably less than 4,000,000.

Group Income Shifts

There is a large increase in 1942 over 1935-36 in the number of families and single consumers having incomes between $2,000 and $3,000 and a startling increase in the number having incomes between $3,000 and $5,000. The shift towards higher incomes has continued in 1943 and 1944. Here is a very large new market for high quality, luxury-type goods.

In the post-war period, incomes will drop and their distribution will work towards that of 1942. We see no reason for expecting the distribution to be any more unfavorable to purchases of luxury and semi-luxury semi-durable goods.

Disposable income, which is the principal determinant of demand, was at the annual rate of $134.5 billion in November, 1944. The current large scale battles being waged in Europe will decide the length of the European war. If the Allies should be able to trap a large German offensive force and follow through with their scheduled drives through the Westwall, the European war might end during the next two or three months.

In that event the income would decline to about $114 billion by June, 1945. The rate of decline would slacken about that time and by September income would level out at about $110 billion. After September the automobile and other consumers' durable goods industries would begin to generate sufficient income to reverse the downward trend.

The Battle in the West

If the battle in the west should go against the Allies, we would face the probability of a long war with the need for rebuilding supplies. The fact that the Germans have been able to move so fast despite our great superiority of manpower and planes at least suggests the possibility that they are using new weapons or new techniques for which we have not yet found effective counter-measures.

The next two or three weeks should tell whether we are to suffer a major defeat in Europe, which would mean that we would need many months to regain the initiative. If this should turn out to be the case, the conditions of 1943 might be repeated. This would bring back into being the various regulations and restrictions of that year. In that event, disposable income in March would probably be about 3% greater that it was in March, 1944, and in April, May and June it would also be slightly above the figures for the corresponding months of 1944.

There is also a possibility that income after March will be somewhat higher than forecast under the two above conditions. Congress is considering raising the minimum wage from 50 cents per hour to 60 cents. Since few manufacturing wages are under 60 cents an hour, the plan must be viewed as a means of raising the wages of low-paid white collar workers.

Harper Joy on Board Of Seattle-1st Nat'l

SPOKANE, WASH. — Harper Joy, Executive Vice-President of Ferris & Hardgrove, Paulsen Building, Grant Dixon, R. J. Martin, and Robert P. Porter have been elected to the 12-member advisory board of the Spokane and Eastern Division of the Seattle-First National Bank.

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"A United States of Europe Now"

By HON. BURTON K. WHEELER*
United States Senator from Montana

Senator Wheeler After Stating That "the Precious Unity of Great Britain, Russia and the United States Cannot Produce a Common Statement of Purpose Towards Europe," Asserts That He Is Convinced That the Majority of the American People Believe With Him That a United Nations Political Council Be Immediately Set Up as a Counter Measure to Unilateral Peace Settlements Now Taking Place. Condemns the Setting Up of Spheres of Influence Which He Says Will Lead to World War III and He Urges the Creation of a United States of Europe. Protests Against the "Brutal and Costly Slogan of 'Unconditional Surrender,'" a Peace of Vengeance and America's Participation in the Policing of the World. In Senate Speech He Accuses Russia and Britain of Power Politics.

Truth is always the first casualty of war. The opiates that have been poured down the throats of the American people for the past several years by the self-appointed diagnosticians and propaganda peddlers fortunately are now wearing off. For several long years Americans have been fed the proposition that this is a "people's war." But now an evergrowing number of us realize that about all the peoples of every nation have had to do with

Burton K. Wheeler

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*An address by Senator Wheeler over the National Broadcasting Network, Jan. 5, 1945.

(Continued on page 272)

Lucien Layne Opens Own Firm in Cincinnati

(Special to The Financial Chronicle)

CINCINNATI, OHIO—Lucien B. Layne has formed Lucien B. Layne & Co. with offices in the Union Trust Building to engage in the securities business. Mr. Layne for many years was a partner in Hill & Co.

Titolo Heads Depts. Of Harris, Upham Co.

Harris, Upham & Co., 14 Wall Street, New York City, members of the New York Stock Exchange and other leading exchanges, announces that Joaquin Titolo has been appointed head of their bond and trading departments.

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Public Utility Securities

Interstate Power Company

Now that Ogden Corp. has almost consummated its recapitalization plan for Laclede Gas, it is possible that a revised plan may be worked out for Interstate Power Company (Delaware). The company is an operating subsidiary (controlling two very small subsidiaries). Formerly, operations were spread over a wide territory (seven mid-western states, largely in the grain belt). However, a number of changes have been made in the set-up in recent years, so as to conform with the geographical integration requirements of the Utility Holding Company Act. In November this program was largely completed, except for sale of one or two small outlying properties. The electric and water plants in ten northwestern Minnesota counties, comprising the "Bemidji-Crookston" district, were sold to Otter Tail Power Co. for a base price of $3,000,000. In order to round out its principal area, this money was reinvested in an Iowa-Minnesota property purchased from Central States Power & Light Corp., leaving $250,000 cash available for other investment.

While its geographical problem is now practically settled (it is now principally in Iowa and Minnesota on a well-integrated basis), the problem of recapitalization remains to be settled. In 1941, a rather elaborate plan was submitted to the SEC, setting up six different bases for assigning cash, debentures or preferred stock, and common stock to the publicly-held securities and Ogden Corp. The six different assignments were based on varying assumptions with respect to (1) the degree of subordination of the company's debt to Ogden Corp. and (2) the valuation to be placed on the plant account.

At that time the SEC held the view that bonded debt of a recapitalized company should not exceed 50% of net plant volume. However, since 1941 the new theory of "original cost" (advocated by the Federal Power Commission) has gained considerable ground and this frequently involves very heavy plant write-offs (including funds actually invested in the property in purchases from predecessor companies). Possibly, for this reason the SEC is currently less exacting in its requirements regarding debt ratios, especially where plant account is written down to "original cost when first devoted to public service." It would seem to be a good possibility therefore that the 1941 plan may be substantially modified.

Plant account (excluding the small subsidiaries) amounted to $51,631,482 in 1943, less depreciation of $1,964,263, or a net amount of about $49,600,000. Studies which have been made in conformity with FPC orders indicate that plant account exceeded original cost (as of Jan. 1, 1941) by about $23,900,000, making net plant account about $26,000,000 on an original cost basis. However, of the amount which the Commission may require to be written off, $8,000,000 represents acquisition costs (in excess of original cost) and this amount could probably be amortized over a 15-year period.

Thus, net plant account might remain as high as $34,000,000 for the purposes of recapitalization. Under the original plan this would have permitted issuance of only $17,000,000 new 3½s, but judging from similar refunding operations over the past year or so, it seems possible that some $20,000,000 or more of new 3½s or 3⅜s might be issued. It is harder to estimate the amount of debentures which might be permitted under present conditions but the original proposal of about $6,000,000-$6,800,000 could perhaps be increased to around $8,000,000, it is conjectured. This would make a mortgage debt ratio of about 59% and an over-all debt ratio of 72%, based on the assumed $34,000,000 net plant account (if a complete write-off is required, however, the ratios would be much higher and the size of both issues would have to be scaled down accordingly). On a pro forma basis, including current heavier depreciation charges, it is estimated that mortgage interest requirements might be covered about three times after estimated Federal taxes on income (the company is not currently paying such taxes).

There are currently outstanding $26,035,500 1st 5s (selling around 98½), $7,500,000 debenture 6s (price about 76½), 72,500 shares of $7 preferred (about 20), 47,500 shares of $6 preferred (13½) and 107,000 shares of common (85% held by Ogden). The mortgage bonds would appear to be in sound enough position—they will probably be paid off with a substantial amount of cash, plus some debentures—but debenture holders can hardly expect to be paid off entirely in new fixed income securities. At best, it seems likely that they would get only about 25-30% in debentures, as envisaged in the 1941 plan, with the balance in common stock.

It is hard to see how the $7 preferred stock (96% held by the public) can hope for very substantial treatment event if the debt to Ogden is completely subordinated (the two preferred stocks held by the public have a current market value of around $2,000,000). However, until the company and the SEC have decided on a plan, and the amount of income taxes payable on the new set-up are known, it will of course be difficult to appraise the position of the preferred stocks. The recent share earnings of $3.04 on the preferred stock may however be somewhat misleading, because of the fact that no Federal taxes are paid under the present set-up.

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The Securities Salesman's Corner

Selling Securities That Offer "Price Appreciation" Possibilities Is Opportune At This Time.

By JOHN DUTTON

One reason the general public has often lost money when purchasing securities is that they bought the wrong securities at the wrong time. Few security buyers in the past have appreciated the importance of timing in the purchase of their investments. No investment is without its risk. All investments, as well as speculations, are an attempt to evaluate the future. There are some speculations which are more hazardous than others. But a sound evaluation of a promising speculation will oftentimes bring about a more profitable return than many so-called investments.

During the past few years, professionals in the business of judging security values have made enormous profits out of speculations. Several year ago a purchase of reorganization railroad bonds, when they were selling in some instances as low as 1% on the dollar (MOP Serial 5¼s for instance), would have been frowned upon by many an orthodox investor. However, those who had the foresight and the courage to buy something for nothing, when no one else wanted it, CAN SELL OUT TODAY AND COLLECT ABOUT 3400% PROFIT. How many "hits" like this do you need in a lifetime to take care of the other losses and pitfalls that come along as we journey on from year to year?

Let us apply this type of reasoning to a case wherein a security dealer, sensing the opportunities for profit and having the courage of his convictions, recommended and sold a security of this type to his customers. Let us assume that he sold every account on his books, including the widows and orphans, a certain percentage of this type of security. Would these customers have been better off with triple A high-grade bonds that would have shown them a return of around 2¾% before taxes? The answer is they would not!

In other words, there is no such thing as a dividing line between so-called sound investments and speculations. A good security is one upon which you make a profit, either in income or appreciation, or both. The more profit you make out of it while you hold it, the better it is. The finest grade bonds bought at the wrong time can turn out to be a losing venture and an unprofitable investment. United States Government bonds bought at 100 during the last war, sold in the seventies a few years later.

For this reason, it appears advantageous at this time to recommend and sell securities that have as their main attractiveness the possibility of "price appreciation." Times such as we are living through today do not come around very often. Economic laws cannot be repealed. No matter what the sayings of the theorists, advanced economic thinkers, government planners, rule makers and regulators may be, about controlling price levels and our economy, this country is now in a rapidly progressing period of gathering inflationary forces that is growing and gathering momentum daily. Anyone who believes that panics, booms or depressions can be eliminated by a "New Deal," or any other kind of deal, is just too naive to know any better. The economic forces now on the march are having their say—and they have only started talking.

So, if you agree with this viewpoint, why not do the intelligent thing for yourself and your customers? If you believe you have the ability to select undervalued speculations that can be bought today at a price which you think presents an opportunity for a substantial profit within the coming year, why not take this story to your clients? Why not point out to them that these periods in the economic cycle only come about a few times during the average lifetime? Why not show them that a 50% profit is worth almost 14 years of waiting for dividends, or interest, to accumulate its equivalent at 3% compounded?

Do you believe this is radical thinking? Well, possibly it is! But anyone who hasn't the courage to adjust themselves to prevailing conditions in times like these will wake up someday and find out that those WHO WERE INTELLIGENT ENOUGH TO THROW THE RULE BOOK OUT THE WINDOW have walked off with most of the business and a greater share of the profits.

There is an old adage, "don't try to hold back the tide." As we see it—we are in a period of inflation when many a company will be able to rehabilitate itself (if even temporarily), and as a result the market value of certain securities of this type will appreciate substantially. Your customers will be better off and so will you, if you sell this type of security. Some day there will be a different story—but that's a while ahead. Today, we are looking at a world in turmoil—war, debts, taxes and $86,000,000,000 budgets are things that cannot be denied. Their effect upon our economy will be telling.

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Tomorrow's Markets Walter Whyte Says—

Rail bend-over, signalled two weeks ago, now being seen. Conversion into cash for tax payments affects market structure. Present lows important to uptrend.

By WALTER WHYTE

The signs of a rail top, which this column discussed last week, became more evident in the past few days. Whether this top will be the one from which they'll go into a real reaction, or just another minor setback, remains to be seen. Although based on the action of the past two weeks, the stock market trader who was not hungry for the last point would have stepped aside.

* * *

The utilities, to which attention was also called last week, began making tiny steps in an upward direction. Some of these little steps may develop into real strides. It is doubtful, however, if the utilities will acquire a public following in the first stages. There are too many statistical arguments against them. Everybody has read, or has been told, that under inflation the utilties have little to look forward to. Utility operating costs may rise. But with a rigid rate structure which can only be revised by regulatory bodies, utilties cannot make any money. Yet this opinion is so widespread the chances are there is a flaw in the reasoning. In any case, the stock market action of the group shows better than just average performance.

* * *

Where the rest of the stocks are concerned, there is little to be said. Here and there a stock managed to creep up to a new high level. But the majority of industrials have been feeling the weight of offers which appeared in the last few days. Under usual conditions large offerings should spell caution. This, however, is no manifestation of a usual condition. The war,

(Continued on page 279)

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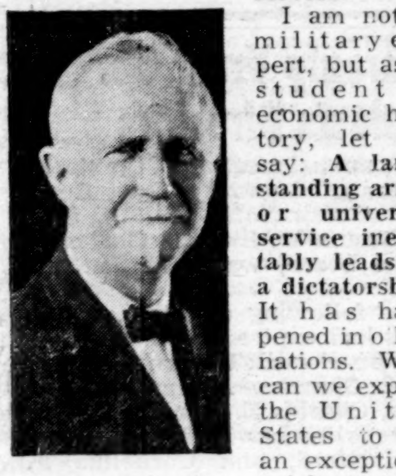
Additional Expressions Anent Peacetime Training Proposal

In giving herewith another group of expressions received in connection with our symposium on the peacetime compulsory military training question, we wish to point out that the paper situation upset our original intention, as stated last week, to give all of the remaining balance in this issue. However, it would appear that we will be able to accommodate the final group in next week's edition.

In connection with this symposium, we would call attention to several discussions of the subject which appeared in the "Chronicle" of Oct. 26, starting on the cover page. These reflected the opinions of, respectively, a prominent Catholic educator, members of the New York Synod of the Presbyterian Church and the President of a prominent educational institution. Mention may also be made of the fact that the results of our survey in the matter have been carried in our columns starting with the issue of Nov. 23 last.

ROGER W. BABSON
Lake Wales, Fla.

I have been following with **surprise** and **wonder** the articles in your paper by responsible men who are urging universal military service.


Roger W. Babson

I am not a military expert, but as a student of economic history, let me say: **A large standing army or universal service inevitably leads to a dictatorship.** It has happened in other nations. Why can we expect the United States to be an exception?

A large navy is to be desired; also **island** outposts for airports; but not a large standing army. Let's continue to spend "billions" for equipment and research, **but not a penny for the seeds of revolution.**

As for what the army and their 10,000,000 returning veterans "want," why should their wishes cut more weight than the 120,000,000 remaining people of this country?

P. S.—This question of peacetime military training is too important to be decided by FDR or even by Congress. There is plenty of time to take a national referendum on the subject.

(Continued on page 276)

Jack Garrett Pres. of Texas Bank & Trust Co.

W. M. Johnson Continues Business of Garrett Co.

DALLAS, TEX.—P. B. (Jack) Garrett of Garrett & Co., Inc., has been elected President of the Texas Bank & Trust Company of Dallas, it has been announced by the board of directors.

P. B. Garrett

W. M. Johnson, formerly Dallas Manager for R. H. Johnson & Co. of New York, has purchased the entire capital stock of Garrett & Co., Inc., and his new organization will continue to do business at the First National Bank Building under the corporate name of Garrett & Company, Inc.

Officers of the new organization are W. M. Johnson, President and Treasurer; P. B. Garrett, Jr. (now serving in the U. S. Naval Air Corps), Assistant Vice-President; F. Schmucker, Secretary.

J. Irvin Shilg will be Manager of the municipal bond department, and A. F. McKnight of the trading department.

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Railroad Securities

The St. Paul reorganization entered the last lap last week with announcement by the Interstate Commerce Commission of the results of the balloting by creditors on the plan. With two exceptions over 99% of those voting in each group voted in favor of the plan. The exceptions, the Gary bonds and the Adjustment 5s, voted 93.56% and 87.88%, respectively, in favor of the plan. The old bonds, as well as the new securities which are traded on a when-issued basis, responded vigorously to the announcement, based on rekindled hopes that the plan will finally be consummated and the new securities issued before the end of the year.

For all practical purposes the consummation of the plan so far as the St. Paul properties themselves are concerned appears merely as a mechanical matter from here on. The one consideration apt to bring more than technical delays is the revised Terre Haute lease. The Terre Haute bondholders have not as yet had an opportunity to express their opinion of the new terms through balloting. Eventually, however, acceptance of the new lease will have to be voted on by the bond holders. It is known that committees representing the Terre Haute bonds are opposed to the terms, which would put part of their rental on a contingent basis—contingent on system earnings rather than on separate earnings of their own property. In particular, holders of the Terre Haute Refunding Mortgage bonds are averse to receiving the same interest treatment as the junior income 5s. Eventual compromise is expected but it may possibly delay consummation of the St. Paul plan even though under the terms of the plan it may be put into effect without the Terre Haute properties.

Regardless of any temporary delay that may be occasioned by the Terre Haute question, students of reorganization railroad securities are enthusiastic over the prospects for the new securities. It is possible that the large cash payments allocated to the General Mortgage bonds and the 5s, 1975 may be distributed before the plan as a whole is consummated. Once the plan is finally confirmed by the court (obligatory in view of the results of the balloting) there would appear to be no legal reason for not distributing the cash. It also seems quite likely that the modest RFC loan will be paid off in cash which will automatically improve the treatment accorded the remaining claims. This possibility adds to the speculative appeal of the old bonds and is particularly important percentage-wise to the Gary mortgage.

Without payment of the RFC loan, the Gary bonds are scheduled to receive only preferred stock, in the ratio of 11.4 shares per $1,000 bond. This would be increased by more than 26% if the RFC loan is paid off prior to reorganization. The Adjustment 5s are allocated only common stock in reorganization, in the ratio of 10.92 shares per $1,000 bond. This would be increased to 11.47 shares with payment of the RFC loan.

Apprehension regarding the common stock dividend restrictions and apparently some misunderstanding regarding the restrictions, have had an obvious adverse influence on the market for the shares as compared with other reorganization junior equities. Initially it had merely been proposed that no dividend could be paid on the common unless dividends had been paid on the preferred for the three consecutive preceding years. In effect this would have automatically prevented dividend payments until at least four years after the effective date of the plan. This was later amended, however, and it is now provided that dividends on the preferred have been assumed to have been paid in the three years preceding the effective date of the plan, Jan. 1, 1944. Payments may therefore be made on the common out of 1944 and subsequent years' earnings so long as no later lapse in preferred dividends occurs. It is still necessary, however, to match any common dividends with a sinking fund for the Income bonds or the Preferred stock equivalent to 50% of the dividend payment.

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Creston Funk Opens Own Investment Firm

SAN ANTONIO, TEX.—Creston H. Funk is now engaging in the investment business as an individual dealer from offices in the Alamo National Building. Mr. Funk was previously Vice-President of Pitman & Co.

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AIB Council to Meet At Jacksonville

National officers, members of the executive council, and staff of the American Institute of Banking, numbering 19 in all, will meet at the Hotel Roosevelt, Jacksonville, Fla., Jan. 21-23, at their annual mid-winter meeting to discuss educational problems of bank personnel related to the war, and to plan for aiding returning veterans who will reenter banking when peace comes, according to William C. Way, President of the Institute, who is also trust officer of the Central National Bank, Cleveland, Ohio.

Appreciation Possibilities

R. W. Pressprich & Co.'s current memorandum for dealers on first and refunding bonds of New York, Lackawanna and Western Railroad shows them to be attractive to both institutions and individual investors, with good appreciation possibilities. Copies of this memorandum are available in limited number without charge to dealers who may have it with R. W. Pressprich & Co.'s name imprinted or in blank with space for their own. Copies may be had upon request to R. W. Pressprich & Co., 68 William St., New York City, members of the New York Stock Exchange.

Lt. C. F. Smithers Resumes Active Partnership in Co.

F. S. Smithers & Co., 115 Broadway, New York City, members of the New York Stock Exchange, announce that Lieutenant C. Francis Smithers, who for the past two and one-half years has been stationed at Norfolk, Virginia, with Captain of the port office of the United States Coast Guard, has been released to inactive duty and has again resumed active partnership with the firm.

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Real Estate Securities

Building Operations in 1919, the First Year After World War I—Will History Repeat?

(Following is reprinted from Chronicle's Annual Review of 1920.)

The year 1919 witnessed transition from extreme dulness to phenomenal activity in building operations in the United States. It is hardly necessary to recall to mind that in 1918 construction work had been reduced to an extraordinary extent, mainly as a result of the almost universal determination of the people of the country to do everything possible to assist the Government in bringing the war in Europe to a speedy and successful close. On material, labor, &c., the Government, therefore, had first call. Consequently the outlay for building operations for the twelve months at 286 cities was by a very wide margin the smallest in very many years, and this despite the considerable inflation in cost of material and labor, as a result of which the erection of a building of any class entailed a much greater expenditure in 1918 than would have been required for the same structure in earlier years.

With the war brought to a close in November 1918, the situation changed and a marked revival in the building industry seemed foreshadowed for the following spring. It came, and ever since activity has been the rule. In fact, fostered by a demand for structures for both business and dwelling purposes far beyond anything experienced in a long cycle of years, building operations were limited merely by ability to secure the necessary material and labor. High and ascending costs were unconsidered trifles in the situation. Suffice it to say that, making the estimated cost of the buildings for which contracts were arranged in 1919 the basis of comparison, our compilation indicates that for the year a new high record in construction work in the United States was established. Furthermore, had it not been for the hindrance caused by strikes and other troubles with labor and inability to secure adequate supplies of materials promptly, it is fair to assume that the total would have been even further expanded. As stated, comparison is made upon the cost basis (any reliable comprehensive data as to quantities being unavailable) but the gain 1919 shows over any earlier year is so great that we believe, were it possible to make proper allowance for differences in prices for labor and material, the year would still stand as an exceptional one.

A comparison of the prices for various materials at the beginning of January this year with those prevailing twelve months earlier leaves no doubt as to the considerable advances that had to be paid in 1919. Common brick, quoted at $15 per thousand Jan. 1919 stood at $23 at the corresponding time this year; on face brick the advance was from $34 @$75 to $48@$100; wood lath from $6.50 to $20 per 1,000; lumber and trim from $74.50@$130 to $120 to $295, with the greatest rise in flooring—106 to 131%; glass, a reduction in the discounts from the March 1913 jobbers list, and a moderate marking up of quotations for lime, linseed oil, stone and grit. Against these, rather unimportant declines are to be noted in the price of structural steel as a whole, plaster and sand.

COMPARISON OF BUILDING ACTIVITY—1906 TO 1919, INCLUSIVE

Year—	No. Cities	New York	Outside Cities	Total All
1919	286	$261,500,189	$1,243,817,071	$1,505,317,260
1918	286	56,500,495	440,037,419	496,537,914
1917	286	103,068,798	716,172,709	819,241,507
1916	286	221,293,974	919,116,902	1,140,410,876
1915	284	172,945,720	758,991,580	931,937,300
1914	284	138,115,266	753,730,258	891,845,524
1913	273	162,942,285	818,029,278	980,971,563
1912	235	228,601,308	798,913,875	1,027,515,183
1911	235	200,325,288	762,174,380	962,499,668
1910	223	213,848,617	763,368,183	977,216,800
1909	209	273,108,030	740,677,942	1,013,785,972
1908	206	174,757,619	555,324,252	730,081,871
1907	200	197,618,715	604,671,736	802,290,451
1906	163	241,064,458	564,486,823	805,551,281
Total, 14 years		$2,645,690,762	$10,439,512,408	$13,085,203,170

Higgins, Wood Elected Dir. of Clinton Trust

Joseph F. Higgins, insurance broker, and Jabez H. Wood, of the investment counsel firm of Van Cleef, Jordan and Wood, were elected directors of Clinton Trust Co. at the annual meeting of stockholders. The officers of the bank were re-elected, as were those directors whose terms of office had expired.

Jabez H. Wood

Net operating income for year 1944 was $101,982, equal to $7.28 per share. This does not include profits realized on the sale of securities. Dividends paid for the year amounted to $1.40 per share.

Webster Heads Comm. of Beekman Hosp. Fd.

Edwin S. Webster, Jr., senior partner of Kidder, Peabody & Co., 17 Wall Street, New York City, has accepted chairmanship of the Securities Committee of the Beekman Hospital 1945 Maintenance Fund, according to announcement today by Elisha Walker, chairman of the drive, which seeks $125,000.

Successful Special and
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Russell Elected V.-P. of Lawyers Trust Co.

David V. Russell has been elected a Vice-President of the Lawyers Trust Company. He is now on active duty abroad as a Major in the United States Army. Prior to joining the armed forces, he served as Secretary.

Coincidentally, Matthew C. Jones, Jr., formerly Assistant Secretary of the Lawyers Trust Company, has succeeded Major Russell as Secretary. Mr. Jones has also been elected Secretary of the Lawyers County Safe Deposit Company.

Post-War Prospects

The Cross Company, manufacturers of machine tools, offers attractive possibilities for the post war period as well as currently, according to a memorandum on the situation issued by F. H. Koller & Co., Inc., 111 Broadway, New York 6, N. Y. Copies of this memorandum may be had from F. H. Koller & Co. upon request.

Norman Weiden Returns to Merrill Lynch Pierce

Norman Weiden, partner in the firm of Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York City, members of the New York Stock Exchange, who has been on duty with the Armed Forces for the last two years, has returned to his post with the firm.

Willard Visits Wall St.

E. Warren Willard, Partner of Boettcher & Co., 828 Seventeenth Street, Denver, Colo., members of the New York Stock Exchange, is visiting in New York City. Mr. Willard is making his headquarters at the firm's New York office at 52 Wall Street.

Guaranty Trust Co. Reelects Directors

The annual meeting of the stockholders of Guaranty Trust Company of New York, presided over by Eugene W. Stetson, Chairman of the board, was held Jan. 17, 1945.

The following directors, whose terms had expired, were unanimously re-elected: George G. Allen, F. W. Charske, Arthur C. Dorrance, Charles E. Dunlap, Walter S. Franklin, Lewis Gawtry, John A. Hartford, and Cornelius F. Kelley.

Analysis and Ratios of New York Bank Stocks

Laird, Bissell & Leeds, 120 Broadway, New York City, members of the New York Stock Exchange, have prepared a comparative analysis and significant ratios for eighteen New York Bank Stocks in 1944. Copies may be had from the firm upon request.

Canada and War Finance

Wood, Gundy & Co., Inc., 14 Wall Street, New York City, have issued an interesting pamphlet on "Canada and War Finance, September 1, 1839—November 30, 1944," which gives an interesting survey of many salient features of the Dominion's wartime economy. Copies of this pamphlet may be had from Wood, Gundy & Co. upon request.

Attractive Real Estates

New York Title & Mortgage Series BK-C2-F1 and Prudence Collateral Series A-AA-3 to 18 offer interesting possibilities, according to a circular prepared by Siegal & Co., 39 Broadway, New York City. Copies may be had from the firm upon request—ask for circular F-1.

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Beardsley Ruml Expounds His Ideas

In "Tomorrow's Business," the Chairman of Federal Reserve Bank of New York Outlines His Views on Freedom, Business Organization and Control, Labor Unions, Tariffs, Cartels, Fiscal Policy, Taxation, and Public Works. Holds Business in the United States Is in a Good Position to Move Into the Future Harmoniously.

Beardsley Ruml

In a book of 238 pages, entitled "Tomorrow's Business," recently published by Farrar & Rinehart, Inc., Beardsley Ruml, author of the pay-as-you-go tax plan, Chairman of the Federal Reserve Bank of New York, and Treasurer of R. H. Macy and Company, sets forth in forceful, succinct phrases his views on Freedom, Business, Labor, Fiscal and International Policy and kindred topics. Mr. Ruml characterizes his book as concerned "about business as an instrument of authority and power, and as a source of direction and decision." Business, he says, stands high "as a rule-maker" and as "rules and rule-makers are necessary" to both order and human freedom, business occupies a high position among human institutions, as a source of goods and services, and also "as a source of order and freedom."

Contending that business is one of "the most pervasive facts of modern life," he holds that, structurally and functionally, it consists of "an organization of people with varied skills which use property or talents to produce something which can be sold to somebody for more than it costs." But the profit motive, the author maintains, is not the sole basis of business. Its particular purposes are: first, to get things ready for use; second, to provide people with purposeful activity; and, third, to give people a way to save productively a part of what they earn. Mr. Ruml claims, in its structure a business, whether large or small, is "a private government," and a "rule-maker."

Discussing the problems of business corporation management, the author admits, that under present conditions, "the board of directors is supreme," but he proposes a reform whereby some of the directors, although elected by stockholders, would serve as trustees to represent, respectively, the interests of other parties, such as the vendors or suppliers; the customers, and the employees. These would be paid officials, and their participation in establishing corporation policies, "would transform the central agency of corporate power so that it represents more nearly the interests of those whom business governs."

Mr. Ruml insists that profits are necessary to maintain business. Profits, he says, serve a double purpose: they direct the activities of business into channels which meet a public response; secondly, they provide a pressure for ingenuity and efficiency. Moreover, profits are essential to attract new capital investment, and, finally, "profits serve a necessary purpose in providing a yardstick of management efficiency."

As an executive of a business employing a vast number of employees, Mr. Ruml's views regarding organized labor, the "union shop" and "the closed shop" are particularly interesting and deserve careful study. He holds that workers are led to organize in order to put themselves on an equal bargaining basis with employers, but he claims there is distortion of essential goals in the employer-employee relationship, because business and a labor organization, each as "rule-makers," are rival contestants for power over the conditions of work. "Within the shifting frame of public law, these two rival private governments have traded, threatened, cajoled and used sheer force when it seemed advantageous to do so." His chief criticism of labor organizations is that they are not democratically managed, and he condemns the "union shop" as a deprivation of the fredom of the individual or the "minority" workers. He urges public regulation of unions in three matters, viz.: (1) membership restrictions, (2) rules restricting output, and (3) the reporting and auditing of union funds, and he predicts that "someday conflict will be superceded by order."

Regarding international trade policies, Mr. Ruml favors, as a substitution for tariffs, subsidies to needy industries, but he admits that the "present system has gone on so long and is so deeply ingrained in our commercial and industrial life that it cannot be torn out with one pull."

It is on the questions of taxation and fiscal policy that Mr. Ruml takes the most radical stands. His ideas on these matters have already appeared in print and have been expressed by him on many occasions. He adds nothing particularly new in his book. As is well known, Mr. Ruml advocates substantial reductions in corporation and business taxes. As for fiscal policy, Mr. Ruml favors using the Federal budget as a means of maintaining employment on the basis of high national income. He lays down the principle that "the maintenance of a high sustained level of business activity is conditioned absolutely on fiscal policy." This is a controversial doctrine, and many who occupy as prominent a position in business as Mr. Ruml will not agree with him. In relation to this problem, it may be noted that Mr. Ruml admits that the creation of jobs through public works projects has been a failure in the 30s, but, insisting that the construction industry is the key industry for maintaining business activity, he urges that Congress study the stabilization of the construction industry so as to plan the timing of public works, and he believes that important benefits will be yielded by such an investigation. Mr. Ruml summarizes his ideas as expressed in the book in the following language:

"This book has been concerned with business as an instrument of authority and power, as a source of direction and decision. We have found that the business of business in getting things ready for use at the same time gives people something useful to do and provides a place where the savings of people can be put to work.

"Business gets these things done by making rules, enforcing them when it can, and compromising with them when it must, all with the sanction of public law. Business, therefore, is private government since it is empowered by the State to organize and to make rules for the conduct of its affairs.

"Business is but one government among many. Yet through it, as through others, we derive certainly and order; and in it, as in others, we must achieve personal dignity and freedom.

"In this book we have studied the purpose and the structure of business rule-making power and the relations of business to other rule-makers. We have identified the governed.

"We have examined a number of critical points which determine the capacity of business to make its unique contribution to the freedom of those who are ordered by its rules, among these points, national fiscal policy, including taxation and public works.

"Now, in our own time, although a common moral objective has not yet been generally accepted, the moral issues of freedom have been drawn again, and World War II has divided the world so that these issues no longer can be evaded. The issues are old ones, centuries old. Are human beings, all human beings, human? Are they created equal in their rights to life, liberty and the pursuit of happiness? Are they entitled to achieve freedom? Do they stand, as persons, above race, sex, creed and nationality? Are the governments which are instituted among men—governments public and private—ends for themselves alone? Or are they the means of providing a frame of order within which the dignity and worth of each human personality may be actualized through responsible freedom of choice?

"Today, the issue is drawn between coalitions of national states in a war of survival. The victory of the United Nations will set as a world objective the achievement of human individuality through the exercise of responsible freedom. Tomorrow, all governments must conform to this standard, and private business, among other governments, must find its way.

Without a conception of freedom, the direction of business in the future will be at best tentative and uncertain. The cliches of freedom may become the mask behind which the love of power will organize its new exploitation. Not "freedom for business" but "business for freedom" must be the objective of business leadership as the operations of business are administered to attain its appropriate ends.

"Business, like other private governments, will be expected to organize and to administer its rule-making in a way that is consistent with prevailing ideas as to what the impulse to freedom demands. The business of business will continue to be the getting ready of things for use, the giving to people something useful to do and the providing of a place where the savings of people can be put to work. But the rules of business, whereby business gets these things done, must set a frame of order within which freedom is the more attainable. Those who are governed by business—customers and suppliers, employees and stockholders—will expect to find in the operations of business a measure of the freedom for which 'governments have been instituted among men.'

"It is true that most businessmen look on their businesses as profit-making, productive enterprises, and ordinarily do not think of themselves a rule-makers or of their businesses as rule-making agencies. But, since these businesses are both producers and rule-makers and must be run as both, they must be understood as both. The business manager who correctly appraises his role as governor of a private state, who knows the range of those affected by his rules, who appreciates the vitality in the impulse to freedom, and who understands what is needed to attain it, will make the detailed application of principle that conditions require and circumstances permit. The rate of progress will depend on insight and ingenuity, pressure from within and without, examples of success and failure. Stubborn conservatism will be offset by reckless experimentation. In the meantime, the climate of world political opinion will hasten or retard the shifts in private business rule-making.

"The resurgence of doctrines of human freedom during World War II will have its inescapable impact on business, particularly in the United States where the tradition of the American Revolution has high prestige. Fortunately, business in the United States is in a good position to move into the future harmoniously with the renewed impulse to freedom. After all, private enterprise is the twin of responsible individuality."

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NOTE—*From time to time, in this space, there will appear an article which we hope will be of interest to our fellow Americans. This is number seventy-two of a series.*
SCHENLEY DISTILLERS CORP., NEW YORK

"Rhinos"—In Normandy!

We, here at Schenley, are thrilled by the "once in a lifetime" experience of one of our former employees, Sergeant Curt Culin. Somewhere in France, he is wearing a newly won, red and white ribbon of the LEGION OF MERIT. The newspapers are just full of accounts of Sergeant Culin's exploits since he, along with some fifteen hundred other Schenley employees, joined the armed forces.

A dispatch from Supreme Headquarters of the Allied Expeditionary Forces informs the nation about Sergeant Culin's major contribution to the American breakthrough at St. Lo, that led to the recapture of France.

This young soldier inventor perfected a four-pronged plow which, when attached to light and medium tanks, enabled them to cut through the thick embankments of the Normandy hedgerows—in a single thrust! A day after Sergeant Culin advanced his idea, a model was hastily completed. They named it "Rhino." A week later General Omar N. Bradley examined the model, and two weeks later, says the dispatch, about five hundred "Rhino" tanks were equipped and were on their way!

Aw, come on, Sarge, finish what you've started over there and come back home—we're waiting for you—and so is your old job—or a *better* one!

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Hugh W. Long Study Of Fundamental Investors, Inc.

The "Biography of Fundamental Investors, Inc," is told in an attractive new folder issued by Hugh W. Long and Company. The Biography begins with the challenge, "Compare your investments with this achievement." Growth of $10,000 in Funamental Investors, Inc., from the inception date on Jan. 2, 1933, is charted. There follows a history of the Fund, in which performance is compared with that of Standard & Poor's 90-Stock Index. A list of the types of institutions holding shares of the Fund is included.

Discussing future policies of Fundamental Investors, Inc., the folder states, "Fundamental Investors, Inc., aims primarily for capital growth, and is guided in this course by interests affiliated with the oldest trust and estate management in this country."

A section of "Biographical Notes" containing interesting and unusual facts about the Fund completes the story. Investment holdings, price and dividend history are included.

Copies of the folder may be obtained from Hugh W. Long and Company, 48 Wall Street, New York City.

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Michigan Brevities

With commercial deposits of Detroit banks rising to new all-time highs—those for the six largest aggregated $2,533,090,000, as against $2,398,250,000 a year earlier—earnings for the most part also showed sharp increases.

The National Bank of Detroit reported earnings for 1944 of $4,242,382 or $4.24 a common share, as against $3,250,633 or $3.25 in the previous year. The bank transferred $7,500,000 from undivided profits to surplus, thus increasing the lending limit to any one company to $3,750,000.

Walter S. McLucas, Chairman of the board, told stockholders that gross income for 1944 was $2,190,958 more than in the earlier year, due largely to the increased funds available for loans and investments. Loan commitment fees, trust department revenues and other fees for services, increased moderately, he said.

* * *

Stockholders of the Detroit Bank have approved an increase in the number of outstanding shares of common from 124,740 to 149,688, with the right to purchase the additional shares at $60 each in the ratio of one new share for each five of the old.

The offering price of $60 per share adds $498,960 to the common capital stock at par value of $20 per share, and the remaining $40 adds $997,920 to surplus account. This represents a total capital and surplus increase of $1,496,880.

In its report for year ended Dec. 31, 1944, the Detroit Bank showed a net profit of $1,511,554, equal to $11.31 per share, against $1,266,984 or $10.28 a share for 1943.

A year-end transfer of $507,280 from undivided profits to surplus account has been authorized. This will increase the present surplus account from $2,494,800 to $3,002,080. The proceeds of the new stock subscription will further increase the surplus account to $4,000,000.

Total capital stock and surplus will total $10,363,760, which will increase the Bank's normal commercial loan limit to over $1,000,000 for any one borrower.

In 1939, and again in 1940, stockholders were offered, and subscribed to, new stock on a one-for-five basis at $40 a share. In 1942 a stock dividend of 5% and in 1944 a stock dividend of 10% was declared. These two transactions served to transfer retained earnings to common capital stock and surplus, but did not increase total capital funds.

* * *

The Industrial National Bank of Detroit reports for 1944 earnings of $358,759, as against $345,171 in the previous year. Available earnings on the common stock amount to $7.18 a share, as against $6.90 in 1943.

* * *

Commonwealth Bank for year of 1944 shows a net profit of $889,114, equal, after preferred dividends, to $17.21 per share of common. Comparable figures for 1943 were $889,865 and $17.17, respectively.

* * *

Report of the Manufacturers National Bank of Detroit for year ended Dec. 31 last shows a net profit of $1,483,730, equal to $24.73 a share, as compared with 1943 net of $884,962 and per share earnings of $14.75.

* * *

United Savings Bank reports net profit for 1944 of about $273,000 or $2.73 per share, as against $271,000 or $2.71 for 1943.

* * *

A group composed of H. V. Sattley & Co., Crouse, Bennet, Smith & Co., and McDonald, Moore & Co., was successful bidder for the recent new issue of $105,000 Erin and Warren Townships Fractional School District No. 2 (Macomb County), Mich., bonds, paying 100.15 for a 2½% coupon. The bonds, due serially on Oct. 1 from 1946 to 1950 incl., are being reoffered on a yield basis, according to maturity, of from 1.25% to 2.25%.

Martin, Newman Members Of Stoetzer, Faulkner

DETROIT, MICH.—William C. Martin and Percy P. Newman are special partners in Stoetzer, Faulkner & Co., Penobscot Building, members of the Detroit Stock Exchange. General partners are Robert R. Stoetzer and George L. Faulkner.

Formation of the partnership of Stoetzer, Faulkner & Co. was previously reported in the Financial Chronicle of Jan. 11.

Investment Securities Co. Formed in Jackson

JACKSON, MICH.—Investment Securities Company has been formed with offices in the National Bank Building to engage in a securities business. Russell H. Goodrich, formerly Sales Manager of H. H. Butterfield & Co., is a principal of the new firm.

National Stamping Co.

Report furnished on request

MERCIER, McDOWELL & DOLPHYN
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DETROIT 26, MICH.
Teletype DE 75
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Charles Parcells, Pres. Of Detroit Exchange

DETROIT, MICH.—Charles A. Parcells of Charles A. Parcells & Co. was elected President of the Detroit Stock Exchange at the annual meeting.

Charles A. Parcells

Milton A. Manley of M. A. Manley & Co. is the new Vice-President; Harry W. Kerr of Crouse, Bennett, Smith & Co., Treasurer, and Clark C. Wickey and Fred Oppat were renamed Executive Vice-President and Secretary and Examiner, respectively.

Raymond C. O'Donnell of R. C. O'Donnell & Co., along with Manley and Parcells, were elected to 3-year term on the board of governors.

Edward C. P. Davis of Dickinson, Wright, Davis, McKeen & Cudlip, was appointed counsel, with Edward Bower of White, Bower & Prevo named Auditor.

The nominating committee for 1945 consists of Edward T. Bennett Jr., Clarence A. Horn, Joseph Hinshaw, Charles A. Kreidler and Raymond W. Reilly.

McBurney Forty Years In Investment Business

SEATTLE, WASH.—J. Forbes McBurney, whose admission to partnership in H. P. Pratt & Company, Hoge Building, has recently been announced has been dealing in investment securities for over 40 years.

Mr. McBurney is probably best known in the Northwest because of his connection with Logan & Bryan. He came to Seattle from the Chicago office of Logan & Bryan in 1919 and at the time that firm retired from business in 1933 was resident partner in charge of the firm's interests in Washington, Oregon, Montana and British Columbia.

For Several years he was an officer of the Western General Corporation, leaving that company to join the staff of H. P. Pratt & Company in December, 1942.

NYSE Firm Changes

The New York Stock Exchange has announced the following firm changes:

Thomas J. Megear, special partner in Luke, Banks & Weeks, retired on Jan. 15.

Privilege of Charles H. Marshall to act as alternate for Pierpont Adams was withdrawn on Jan. 15. Both are partners in Butler, Herrick & Marshall.

Interest of the late Charles J. Cohen in Cohen, Simonson & Co., ceased as of Jan. 11.

Attractive Utility

National Power & Light Common appears attractive at current levels according to a memorandum on the situation issued by Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock and Curb Exchanges. Copies of this memorandum, and an interesting summary of I. C. C. Forecasts for 1947 Rail Traffic, may be had from Vilas & Hickey upon request.

Now White, Noble & Co.

GRAND RAPIDS, MICH.—The firm name of Schouten, White & Co., Michigan Trust Building, has been changed to White, Noble & Co.

Aetna Life Insurance
American Hardware Corp.
Scovill Manufacturing Co.
Torrington Co.
Conn. Light & Power Co.
Connecticut Power Co.
Hartford Electric Light Co.
United Illuminating Co.

Markets and memoranda on these Connecticut companies available on request

CHAS. W. SCRANTON & CO.
NEW HAVEN
New London Waterbury Danbury
Members N. Y. Stock Exchange

Connecticut Brevities

At the annual meeting on Feb. 13, 1945, the stockholders of the Aetna Casualty & Surety Co. will vote on a recommendation of the directors to increase the capital from $3,000,000 to $6,000,000. This would be accomplished through the transfer of $3,000,000 from surplus to capital and the payment of a stock dividend of one additional share for each share now held.

If the plan is approved, the directors propose to place the new stock on a 62½¢ quarterly dividend basis, with extra disbursements dependent upon the year's operating results.

* * *

Changes in the List of Legal Investments for Connecticut Savings Banks effective as of Jan. 11, 1945, are as follows: Additions: Chesapeake & Ohio Railway Co. sixth equipment trust 1¾s, due serially to Nov. 15, 1954, and Louisville and Nashville RR. Co. first and refunding series F 3⅜s, due Apr. 1, 2003.

The following issues, formerly legal, have been called for redemption: Atchison, Topeka & Santa Fe Railway Co. Transcontinental Short Line 4s, due July 1, 1958; Chicago, Burlington & Quincy RR. Co. Illinois Division first 3½s, due July 1, 1949, and the Illinois Division first 4s, due July 1, 1949; Philadelphia, Baltimore & Washington RR. Co. General series 4½s, due June 1, 1981; Metropolitan Edison Co. first series D 4½s, due March 1, 1968; first series E 4s, due May 1, 1971, and first series G 4s, due May 1, 1965, and Pacific Gas & Electric Co. first and refunding series H 3¾s due Dec. 1, 1961.

The New York & Harlem Railroad Co. refunding 3½s, due May 1, 2000, were removed for failure to pay dividends in 1944 in an amount equal to at least 4% upon all outstanding capital stock.

* * *

The decision handed down by the U. S. Supreme Court upholding the Government in the "Glass Trust" case ends the receivership of the Hartford-Empire Company. The decision modified the decree of the lower court which forbade the disposition or transfer of any glass-making machinery by any means other than by outright sale inasmuch as these provisions extend further than what is required to dissolve the combination and prevent further combination of like character.

License agreements will be allowed to stand, modified to provide for uniform royalties and without any restrictions as to production, price, or other discriminatory features.

* * *

Preliminary indicated earnings of four local banks follow:

	1944	1943
First National Bank of Hartford	$18.69	$16.31
Hartford-Connecticut Trust Company	4.53	4.41
Hartford National Bank & Trust	2.53	1.76
Phoenix State Bank	*27.01	16.49

*Reported earnings were $28.82.

Total assets of the Phoenix State Bank were $94,401,030 as of Dec. 30, 1944. This represents an increase of $4,663,221 over Dec. 31, 1943. Deposits advanced approximately 5% from $84,719,008 at the end of 1943 to $89,022,965. Book value per share is $279.80 against $262.80 a year ago.

The year-end statement of the Hartford National Bank & Trust Co. reveals an increase of nearly 11% in deposits, which brings the total to $206,744,926—an all-time high. Total resources are $216,790,007, likewise an all-time high.

* * *

Ralph D. Cutler and Thomas D. Gill have been elected directors of the Hartford Electric Light Co.

* * *

The Travelers Insurance Co. of Hartford recently purchased through Putnam & Co. $2,000,000 4% serial sinking fund debentures of the United States Freight Co. due December, 1959.

* * *

The year-end balance sheet of the Hartford-Connecticut Trust Co. showed an increase in total assets of $11,596,108 over Dec. 31, 1943, which brings the total to $119,884,995. Deposits were $110,839,453 against $99,496,448 a year ago—an increase of $1,343,005 or more than 11%.

Book value per share as of Dec. 30, 1944, was $48.77 compared with $47.50 at the end of 1943.

* * *

During 1944, policyholders of the Travelers Insurance Co. paid in premiums aggregating $265,900,000. This represented an increase of $29,400,000 or more than 12% greater than the previous year. With the exception of the decrease in general liability and boiler lines due to reduced rates, and the decline in fidelity and surety premiums, all types of insurance showed considerable increases.

"The Confident Year"

The latest Bulletin issued by Strauss Bros. entitled "The Confident Year" sketches the outlook for eight vital industries and reviews thirty-four securities. Copies may be had upon request from Strauss Bros., 32 Broadway, New York City.

Interesting Utility

Ira Haupt & Co., 111 Broadway, New York City, members of New York Stock Exchange and other exchanges, have issued an analysis of the General Gas & Electric Corporation. Copies of this interesting analysis may be had from the firm upon request.

TIFFT BROTHERS
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Primary Markets in
Hartford and Connecticut Securities

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What Will the Market Do In 1945?

(Continued from first page)

night work rather than banking hours is becoming the requirement of the Street. Customers' Brokers must equip themselves to make decisions, to advise and to manage.

"This new attitude makes stock brokerage as a career as much of a public service as a profession such as, for instance, medicine. We hear a great deal about the good doctors do for humanity. Wall Street is still popularily considered a much more mercenary occupation. Actually, sound investment helps to pay the doctor bills and to put the children through college. Bad investment creates indigestion and sleeplessness, and worse. There is every reason why the broker who looks at his work the right way can be proud of his job."

Referring to the dependence of the investing public on the advice and assistance of customers' men, Mr. Loeb said that "recently I had an idea of writing a popular book to reach a reading public of ten or fifteen million people such as readers of the Reader's Digest, Saturday Evening Post, Liberty, Life and such publications. I wanted to write this book for people outside Wall Street who devote the main part of their time to their own jobs and who have to do something about the money they save. What could I say, in view of my own experience, to such people about how to take care of their money?

"I came to the conclusion, rightly or wrongly, that to write a text book and say: 'Don't buy a bond unless the interest is covered so many times'; or, 'Don't buy a stock without a ten-year dividend record,' etc., would be totally useless. There are lots of such text books, most of which are not understandable. I myself keep looking around, trying to find an answer to this whole question of wise investment. Maybe someone here, when we get around to our forum, will be kind enough to give me an idea better than mine, or some idea I can use, but I have been unable to find any other solution than the following one which is the nearest approach I have found.

"The only solution I could find was to tell people in this book, if I publish it, or if someone else publishes it, that, instead of studying the securities market, they should take the time to pick out the right kind of men to handle their accounts. By the right type of man I mean in fact, the right customers' broker, or in some cases, investment counsel. That was my number one suggestion. I felt that, just as one goes to a doctor, so should one go to an expert in Wall Street. I tested this out with a number of people who said I would not get anywhere with it.

"I want to leave these general thoughts with you," Mr. Loeb continued, "because of the new responsibilities we have here, as a result of which I think that the next few years are going to pay very, very well for those of us in the Street who more and more think of ourselves as being investment advisors rather than salesmen, order clerks, or anything else."

"Wall Street as an A-1 Vocation"

Speaking of the vocational opportunities in Wall Street houses, and comparing present conditions with conditions in this field prior to 1930, Mr. Loeb remarked that "Wall Street as a vocation has become less popular since 1929, when such a high proportion of men came to work here in the banks, underwriting and brokerage houses. The records of the Harvard University Graduate School of Business Administration show production and engineering to have usurped top place since this time. There is no doubt that too many beginners came to Wall Street in 1929, but the pendulum has swung too far the other way and the postwar opportunity is bright. Perhaps we won't see the expansion anticipated in television and plastics and airlines but neither will we have the human competition for jobs."

Stock Market Prospects—1945

Taking up the subject of what the stock market will do in 1945, Mr. Loeb said: "Common stocks, by and large, are still cheaper than bonds and cheaper than the normal price of most other things. There is a very strong trend in Washington to eliminate double taxation of dividends. If this is accomplished it will lift the effective yield of dividend-paying stocks to that part of the investing public in the lower income brackets. This should mean a great increase in odd-lot buying for cash. There are no signs of excess in the market. People are continually getting frightened about this or that and selling some stock which tends to keep the technical position strong.

"The general level of all stocks should go higher. As regards which groups or issues are the most attractive, my feeling is that, broadly speaking, the aircraft, steel, machinery, copper, motor truck and rail equipment stocks are cheapest. However, there is always the danger that some of them may be low with good reason or may stay low for a considerable length of time.

"Steels" May Be Attractive

The one group that has a broad market and which enjoys wide swings and which has not moved is the steel group. The steel stocks are not war beneficiaries because the price structure and the tax structure have held their net down. After the war earnings could be enormous but there are many factors which may upset this prediction. My feeling is that present prices for steels discount the worst; hence, those with plenty of money should own some, as I think the worst that can happen to them is that they just mark time. The risk is small —the possible gains are great.

"We are now getting readjustments in various groups of stocks," Mr. Loeb pointed out. "The group which has been most readjusted in the last few weeks, as we all know here, are the railroad stocks," he said. Continuing he added that "anybody can see that a lot of railroads were earning good money and benefiting most from the war, and also that they would probably have most of their troubles after the war. Nevertheless the rails just remained stationary until public attitude changed."

Dividend Transactions and Odd-Lots

Mr. Loeb pointed to an easing of taxation as one reason for rising stock prices and remarked that "the elimination of the double taxation on dividends is going to mean a great deal to the small, odd lot cash buyer. It is going to mean that stocks are even cheaper than they appear now, because yields to the small, odd lot cash buyer will be higher, in which case he is going to buy them.

"The small, odd lot cash buyer is pretty important. The number of shares of American Telephone, for example, bought during 1944 through odd lot houses was staggering. This had an enormous effect on the market, but I do not think it has had anything like the effect it is going to have if the odd lot buyer of these stocks finds he must pay only one tax instead of what he now has to pay."

"We are moving more and more towards an investment market, that for some years will probably be stabilized at high prices just as bond prices have been," Mr. Loeb added, "and I could think of a thousand reasons why one should not own a bond which sells at par or above."

Continuing, Mr. Loeb said: "In considering other factors that might affect the stock market, I think most of us are principally interested in what is going to happen six or eight months from now. When you get to the point of timing, I say that stocks will be higher in the long run. But as to whether they will be higher next week or eight months from now I think nobody can answer that question. I think the factor which will govern the answer to that question is what the particular psychology of the minute may be, and that is pretty hard to predict."

Inflation

Commenting on inflation in relation to stock prices, Mr. Loeb thought that it would not "hurt the outlook for common stocks."

"I said a few minutes ago," he told his audience, "that stocks were cheap in relation to other things. I do not mean in terms of inflation. I mean that after the war, for some time to come, we are going to have higher prices for things in general than we had before the war, but lower prices than real prices today in the black markets. I think this whole schedule of higher prices and higher income will take care of the profit margin, so that I cannot see anything in the fundamental background to hurt the long pull outlook for common stocks. I do not see any current over speculation. If there is any, it lasts for five or six hours and then corrects itself. I think that by and large we are going to have good earnings. I think they are going to be capitalized higher than at present and I think that yields are going to be lower than they are now.

"As to which are the most attractive stocks," Mr. Loeb said, "there are many such groups in the market. We have, broadly speaking, consumer goods and capital goods issues. As a general rule we know that capital goods stocks are cheaper, relative to 1936 and 1937 prices than are consumer goods stocks. I think the first question we have to decide is: are they really cheaper or not? Are they cheaper because they are worth less, or because they are bargains? In the groups of stocks looking statistically cheap there are the aircrafts, railway equipments and steels. I think the two groups of greatest interest to be the steels and the aircrafts.

"In aircraft we know there is a tremendous excess of plant capacity, and the various factors there are pretty well understood. Personally I think the aircraft stocks are still cheap, and whether one buys them or not depends upon the individual situation in a given account. If I had an account of $25,000 in mind, for which I do not believe in too much diversification, I would not have an aircraft stock. If I had an account of $250,000, I would have aircraft stocks.

"Practically all of these stocks have had good rises except United Aircraft. The reason United Aircraft has not had a percentage rise is twofold. One is that it never lost favor as the others did. Secondly, they had a little bad break, which I think they are going to overcome now, in the fact that the Government apparently rather passed them by on jet propulsion."

Mr. Loeb next called attention to the speculative possibilities of Johns-Manville stock. "I am thinking of Johns-Manville," he said, "because I think that practically every one of us has customers who have been holding stocks for years—maybe American Telephone, Eastman Kodak, duPont or any of the so-called 'blue chips.' I think that Johns-Manville will do much better for them marketwise and that there is a logical switch here. I think Johns-Manville has everything that a really high grade investment needs. Its capitalization is extremely small.

"Johns-Manville," he continued, "is a perfect example of a stock almost ideally suited to a split-up some day, because there are only about 850,000 shares of its stock. It is right on top with research for new products. It has bright management. I believe that Johns-Manville on a percentage basis might go up as much as many lesser quality shares and, when the time does come when Johns-Manville is split-up so that it sells at a really fair price-earning ratio, I think it will be very well worth while for people to make this switch."

"Best in the Market"

Mr. Loeb concluded his remarks by saying that "I think really a high-grade issue like Johns-Manville will perhaps show as much percentage profit as some much more speculative lower priced shares. I see chances for large profits in Radio, to mention my pick of the popular-priced active leaders.

Radio has done nothing since the summer of 1943, when it sold at 12. Since that time the general market is higher, and I think most of the radio issues are higher. On a price basis, I think Radio is out of line with the market and its group, and with its post-war prospects. I have carefully tried to estimate Radio's business after the war, and it seems impossible to me that it can earn less than $1 to $1.25 a share, which should mean 15 to 25 for the stock, as earnings of Radio Corporation are always very highly capitalized in the market. I think the risk of purchasing it now is considerably less than with most situations and certainly less than in most companies of the group."

"Forecast for 1945"

Clement, Curtis & Co., 134 So. La Salle Street, members of the New York and Chicago Stock Exchange, have prepared a reprint of "Forecast for 1945, with particular reference to those factors having a bearing upon Investment Policies," an address made by Edward P. Rubin, partner of Security Supervisors and President of Selected American Shares, Inc., at a weekly meeting of the partners and registered representatives of Clement, Curtis & Co. Copies of these interesting predictions may be had upon request from Clement, Curtis & Co.

Seaboard All-Florida

L. H. Rothchild & Co., 52 Wall Street, New York City, have prepared a resume of "The Present Status of the Seaboard All-Florida." Copies may be had upon request from L. H. Rothchild & Co.

This advertisement appears of record only and is not, and is under no circumstances to be construed to be an offering of these securities for sale or a solicitation of an offer to buy any of such securities. The offering is made only by the Prospectus.

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January 15, 1945

PRIMARY MARKETS IN
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Bank and Insurance Stocks

This Week—Insurance Stocks

By E. A. VAN DEUSEN

Insurance stocks throughout 1944 moved within a very narrow range but ended the year, as a group, moderately higher. Compared with industrial stocks and New York City bank stocks, however, their performance was relatively poor, as the following figures show:

	12-31-1943	12-30-1944	% Gain
Bests' Index (50 Fire)	192.9	195.0	1.1
Bests' Index (20 Casualty)	349.7	363.4	3.9
Dow Jones' Industrial Average	135.89	152.32	12.1
New York Banks (American Banker)	38.0	45.8	20.5

Undoubtedly the Supreme Court's ruling last June to the effect that the business of insurance companies constitutes interstate commerce, and therefore is subject to the provisions of the Sherman Anti-Trust Act, has acted as a damper. Another depressing factor has been the rise in fire losses during the war and the prospect that high losses will probably continue so long as the war rages.

Pessimism based on such factors, however, is short-sighted, particularly in view of the fact that the higher grade insurance stocks are essentially long-term investments. Fire losses fluctuate greatly, year by year, but on average the well-managed companies demonstrate very substantial underwriting gains over three- to five-year periods. Meanwhile, their invested assets have been steadily increasing and their net investment income not only remains relatively steady but has manifested a moderate upward trend over the past 12 years, and indications are that this trend is likely to persist indefinitely. With regard to the Supreme Court ruling, there is little reason to doubt but that this anomalous situation will 'ere long be certified by suitable legislation.

Comparative Analysis
and Significant Ratios

18 New York
Bank Stocks
1944

Available on Request

Laird, Bissell & Meeds
Members New York Stock Exchange
120 BROADWAY, NEW YORK 5, N. Y.
Telephone: BArclay 7-3500
Bell Teletype—NY 1-1248-49
(L. A. Gibbs, Manager Trading Department)

The market performance of individual fire stocks during 1944 was extremely variable. A list of 35 well-known fire stocks, for example, shows an average decline of 2.7%, compared with Best's Index gain of 1.1%. Two stocks show no change, 13 stocks show an average gain of 6.1%, and 20 stocks show an average loss of 8.7%. The asked price of each stock as quoted on Dec. 30, 1944, compared with Dec. 31, 1943, is shown in the following table:

	—Asked Price—		
	12-31-1943	12-30-1944	% Change
Aetna Insurance	54¾	51½	— 5.9%
Agricultural	74	76	+ 2.7
American Alliance	22¾	23½	+ 3.3
American Equitable	20	16⅝	—16.9
Baltimore American	7⅝	7¼	— 4.9
Bankers & Shippers	87	80	— 8.0
Boston Insurance	560	628	+12.1
Continental Insurance	46½	46½	--
Fidelity-Phenix	50	50¼	+ 0.5
Fire Association	64	68	+ 6.3
Franklin Fire Insurance	29¼	24½	—16.2
Glens Falls	44¾	45½	+ 1.7
Globe & Republic	9¾	8½	—10.5
Great American	28	30	+ 7.1
Hanover Insurance	26½	27	+ 1.9
Hartford	99¾	105¼	+ 5.5
Home Insurance	32⅛	28	—12.8
Insurance Co. of North America	81¼	89¾	+10.5
Knickerbocker	9½	8½	—10.5
Merchants & Manufacturers	7¾	5¾	—25.8
National Fire	58½	58½	--
National Liberty	8¼	7⅜	—10.6
National Union	191	175	— 8.4
New Brunswick	30¾	29¾	— 3.3
New Hampshire	46¾	46¼	— 1.1
New York Fire	14⅞	13⅛	—11.8
North River	23⅝	22⅞	— 3.2
Pacific Fire	110½	101½	— 8.1
Paul Revere	24¼	23¾	— 2.1
Phoenix	87¾	89	+ 1.4
Providence Washington	36⅜	34⅝	— 4.8
St. Paul F. & M.	59⅝	73¼	+22.9
Security	36⅜	34⅞	— 4.1
Springfield F. & M.	132	126	— 4.5
United States Fire	49½	51¼	+ 3.5
Average			— 2.7%

Prize performer was St. Paul Fire & Marine, with a gain of 22.9%; second was Boston with 12.1%, and third, Insurance of North America, 10.5%. Maximum loss was sustained by Merchants & Manufacturers, with a decline of 25.8%. Home and Franklin, which reduced annual dividend disbursements through elimination of extras, suffered a decline of 12.8% and 16.2%, respectively.

Among casualty stocks, which however are not shown in the above table, American Surety declined from 61¼ to 61, a loss of 0.4%. On the other hand, Fidelity & Deposit appreciated 10.2%, closing at 162 compared with 147 on Dec. 31, 1943.

The 35 fire insurance stocks, as of Dec. 30, 1944, were selling at an average ratio of 80% of liquidating value on Dec. 31, 1943, and at an even lower ratio to 1944 year-end liquidating values which when reported, should be well above values of a year ago. Even Home and Franklin, which usually sell at a premium to liquidating value, are now selling at a discount. The only stock in the above list which is priced high relative to liquidating value is St. Paul Fire & Marine with a ratio of 1.17.

At current market levels, it appears to this observer that fire insurance stocks, carefully selected and with adequate diversification, have much to offer the conservative, longer term investor.

OUR REPORTER'S REPORT

This proved a rather dull week in the new issue field, but bankers and dealers were disposed to welcome the respite from fresh undertakings as affording an opportunity to give more attention to clearing away of unsold portions of offerings which have come on the market since the turn of the year.

Next week promises to be a bit more interesting from a new business standpoint what with the City of New York scheduled to market $75,000,000 of new serials and several corporate issues coming up for competitive bids.

Currently, a good portion of the underwriting fraternity, that is to say the bankers involved and their dealer groups, are working chiefly on the clearing up the balance of last week's $51,782,000 issue of Pennsylvania Railroad's 40-year bonds. In addition there are still a few Washington Terminal Co. bonds around awaiting placement.

Meanwhile, it is reported that Louisville & Nashville's big issue has now been pretty well placed, having received a fillip from the basis fixed for the big Pennsy issue.

By and large, the market is regarded as in good shape and capable of taking care of new financing which is ahead, when as and if it develops over the next several weeks. Except for the Pennsylvania offering, which is recognized as a "worker," there is little in the way of accumulation from recent operations.

Another of Those Spreads

The superstition that most things run in series of three, seems in a fair way to be borne out in the field of competitive bidding. Last week we had the unusual spread between banking bids for the Pennsylvania issue.

This week brings somewhat of a duplication in the sale of Tidewater Power Co.'s new 30-year first mortgage bonds, for which bidders were called upon to fix the coupon rate.

The winning group bid 101.08 for the $4,500,000 issue to carry a 3⅛% coupon. Its competitors apparently all had a higher coupon in mind since their bids were fixed for 3⅜% or 3½% bonds, and the second highest bidder sought the issue at 3⅜s at a price of 101.02.

The bonds were scheduled for reoffering at 101.48. In the case of the company's $1,000,000 of debentures, the bidding was much closer, the winning bidder who also took the bond offering 100.46 for 3⅝s, with the next bidder offering to pay 100.159.

Great Northern Railway

Another big refunding operation by the Great Northern Railway looms as likely to be carried through within the next few months. And here again the competition should be keen since it is now indicated that sponsors and opponents of competitive bidding will face each other over the auction table.

One banking aggregation, headed by Halsey, Stuart & Co., Inc., who pushed the successful fight for competition in security sales by railroads, is already in process of formation to participate in this business should it develop.

It is expected that a second group will be formed, once the road indicates its position, headed by Morgan Stanley & Co. and associates. The refinancing is expected to involve replacement of some $50,000,000 more of the general mortgae series I 3¾s due in 1967.

Groups to Consolidate

Two large banking groups, one headed by Chase National Bank and the other by the National City Bank, have decided to merge and submit a single bid for New York City's expanded issue of $75,000,000 of serial bonds for which bids will be opened on next Tuesday.

ADVERTISEMENT

REPORT OF CONDITION OF

Underwriters Trust Company

of 50 Broadway, New York City, New York, at the close of business on December 31, 1944, published in accordance with a call made by the Superintendent of Banks pursuant to the provisions of the Banking Law of the State of New York.

ASSETS	
Loans and discounts (including $63.42 overdrafts)	$10,619,592.02
United States Government obligations, direct and guaranteed	15,999,752.88
Obligations of States and political subdivisions	79,737.50
Cash, balances with other banking institutions, including reserve balances, and cash items in process of collection	5,950,717.17
Banking premises owned, none; furniture and fixtures and vaults	1.00
Other assets	92,366.60
TOTAL ASSETS	$32,742,167.17
LIABILITIES	
Demand deposits of individuals, partnerships, and corporations	$15,645,522.94
Time deposits of individuals, partnerships, and corporations	3,244,613.60
Deposits of United States Government	4,465,257.49
Deposits of States and political subdivisions	5,146,793.29
Deposits of banking institutions	448,674.18
Other deposits (certified and officers' checks, etc.)	1,387,094.89
TOTAL DEPOSITS $30,337,956.39	
Other liabilities	159,805.25
TOTAL LIABILITIES (not including subordinated obligations shown below)	$30,497,761.64
CAPITAL ACCOUNT	
Capital*	$1,000,000.00
Surplus fund	750,000.00
Undivided profits	494,405.53
TOTAL CAPITAL ACCOUNT	$2,244,405.53
TOTAL LIABILITIES & CAPITAL ACCOUNT	$32,742,167.17

*This institution's capital consists of common stock with total par value of $1,000,000.00.

MEMORANDA	
Pledged assets (and securities loaned) (book value):	
U. S. Government obligations, direct and guaranteed, pledged to secure deposits and other liabilities	$8,550,379.45
Other assets pledged to secure deposits and other liabilities (including notes and bills rediscounted and securities sold under repurchase agreement)	74,750.00
Assets pledged to qualify for exercise of fiduciary or corporate powers, and for purposes other than to secure liabilities	150,372.00
TOTAL	$8,775,501.45
Secured and preferred liabilities:	
Deposits secured by pledged assets pursuant to requirements of law	$8,603,742.65
Deposits preferred under provisions of law but not secured by pledge of assets	2,061,331.60
TOTAL	$10,665,074.25

I, WILLIAM D. PIKE, Comptroller of the above-named institution, hereby certify that the above statement is true to the best of my knowledge and belief.

WILLIAM D. PIKE.

Correct—Attest:
C. W. KORELL,
SUMNER FORD,
PERCY C. MAGNUS, } Directors

U. S. Treasury interpretations of **Section 722 of the Revenue Act of 1942** stress the importance of *demand* studies in proving cases and the necessity for eliminating the effects of general business conditions in reconstructing earnings. Techniques required are explained in the pioneer work

DYNAMIC ECONOMICS
by
Charles F. Roos

Chapters include: *Demand* for Consumers Goods, Automotive *Demand* for Gasoline, *Demand* for Agricultural Products, *Demand* for Capital Goods, Factors Influencing Residential Building, Growth and Decline of Industry, Joint *Demand* and Loss Leaders, Production, Costs and Profits, and Adjustments of Costs.

A few copies are still available.
Price $5.00

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TOTAL ASSETS
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Associated Banks:
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Reserve Fund -------- £2,200,000

The Bank conducts every description of banking and exchange business
Trusteeships and Executorships also undertaken

Slaight Co. Formed In NY

G. Wilmer Slaight has formed G. Wilmer Slaight Co. with offices at 135 Broadway, New York City, to engage in the investment business. Mr. Slaight in the past was an officer of Barr Bros. & Co., Inc.

Canadian Market Receptive

The Canadian market, like the New York investment field, appears to be in a highly receptive mood as far as new issues are concerned.

A large syndicate of Canadian underwriters and dealers placed an issue of $18,761,000 of Shawinigan Water & Power Co. first mortgage and collateral trust 3½s, due in 1970, on the market on Tuesday at 100 and interest.

They were able to announce that the issue had been favorably received and the books closed almost immediately.

EYES ON TOMORROW

On drawing board and blueprint, in research laboratory and on testing machine you will find the shape of things-to-come in railroading.

We know the American public expects great things — new, modern trains; daring designs; exciting and novel innovations; new power; new speed; new riding qualities; new comforts and luxuries; new services and ideas in travel, in shipping . . . in a word, transportation values beyond anything known or experienced before.

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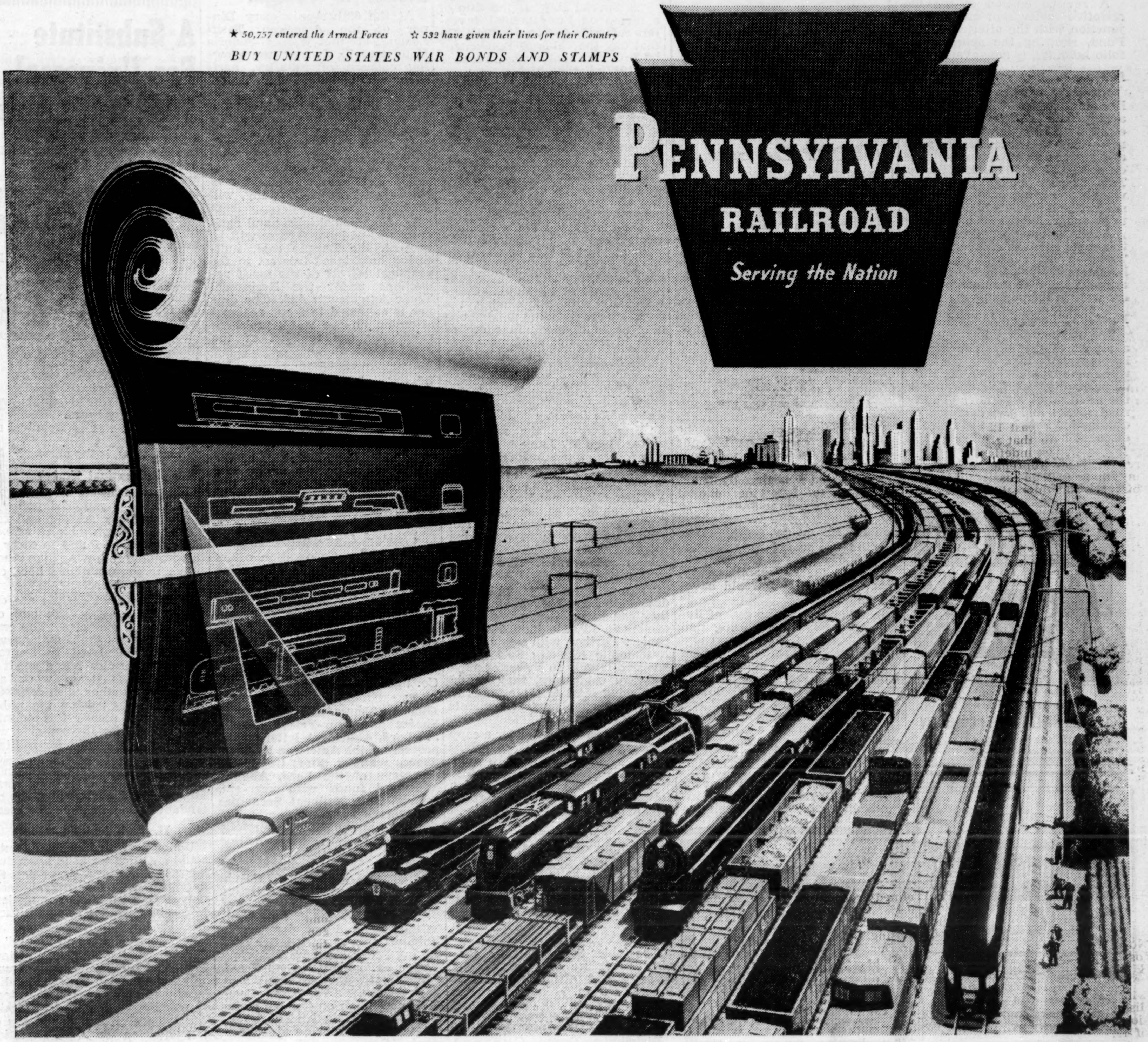

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Mutual Funds

A Popular Fund

In a recent letter on **Diversified Investment Fund** which was initially offered on Dec. 1, 1944, by **Hugh W. Long & Co.**, the sponsor reports that:

"Sales of the Fund have been close to $1,000,000 since initial offering only 36 days ago."

A revised edition of the descriptive folder sent out in conjunction with the offering of this Fund, showing the actual portfolio holdings, is now available.

Minneapolis Memo

Investors Syndicate, sponsor of **Investors Mutual**, has published a large and impressive brochure, entitled "A Half Century of Progress—1894-1944," containing facts and figures about the growth of economic life in the United States. This 52-page study contains a wealth of factual material on the subject and **Investors Mutual** is to be congratulated on a fine job!

Another, smaller, booklet by this same sponsor, entitled "Brass Tacks—a Book of Facts About **Investors Mutual, Inc.**," is equally attractive and should serve dealers well in introducing the Fund.

Portfolio Changes

The **Parker Corp.** has released a report of portfolio changes of **Incorporated Investors** for the three months ended Dec. 30, 1944. Of perhaps greatest significance is the addition of a number of railroad stocks and the decrease or elimination in holdings of railroad discount bonds.

National Income Funds

In a current letter **National Securities & Research Corp.** examines "How the Income Buyer Has Fared" in **National Income Funds** since 1941. The year-by-year income records of **National Bond Series, National Low-Priced Series, National Preferred Stocks Series** and **National Income Series** are shown. The average yield on all these groups over the past four years is well over 7% and on the two latter groups over 8%.

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Prospectus on Request

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Dollars vs. Purchasing Power

Keystone Corp. brings home forcibly to the investor the vital fact that dollars are one thing and purchasing power is another. In the current issue of **Keynotes**, the hypothetical case of an investor who placed $1,000 in a savings bank in 1900 at 3½% interest, compounded semi-annually, is examined. By 1920 this capital would have grown to $2,001.60. In short, the investor would have doubled his money.

"But—he would have had to add $1,000 more to this total to purchase the commodities that his original $1,000 would have bought in 1900!"

In other words, the cost of living increased faster during that period than his money increased in the savings bank. At present we are faced with a similar problem. Our national debt has skyrocketed from $40,000,000,000 in 1939 to over $200,000,000,000 and the huge increase of money in circulation is exerting a strong upward pressure on prices.

According to **Keynotes**, "The best way for the investor to preserve the purchasing power of his money is to invest a part of his funds in securities that can increase in value during a period of generally rising prices."

Fundamental Investors

"A Special Day" is the title of a memo on **Fundamental Investors** referring to Jan. 10, 1945. On that day the value of Fundamental Investors shares again reached the 1937 all-time high.

"The general market would have to rise 24.9% from its Jan. 10 figure to equal Fundamental Investors' performance."

Nation-Wide Securities

The stockholders of **Nation-Wide Securities Co.** (a Maryland corporation) have received a notice and proxy from the directors proposing to change the nature of the company from a common stock fund to a balanced fund with at least 33⅓% of the company's assets to be held in cash, cash items, bonds and other preferred stock at all times. Coincidentally with this change, the directors are opposing to issue one new share of stock in place of each 10 shares of stock now outstanding in order to bring the market value of the shares more in line with that of other medium-priced funds.

Automobile Industry

"New cars by the millions," writes **Hugh W. Long & Co.** in a new folder on the **Automobile Industry Series** of **New York Stocks, Inc.**

"Your clients need not become auto dealers in order to 'go into the automobile business.' Nor need they guess as to which car producer will be the most successful one—which shares the most attractive.

"Through the Automobile Industry Series of New York Stocks they can become—in effect—part owners in 12 auto industry companies. Further, with assets of the Automobile Industry Series now invested largely in shares of parts and tire companies, they would be placing most of their funds in companies supplying components for any and all cars."

We suggest you write for a copy of this new folder.

Do It Now

"Do It Now" is the title of a folder recently sent to dealers by **Broad Street Sales Corp.** It refers to the need for investors to review their investment positions in the light of probable post-war developments. Four important forces which have been building up during the war—deferred demand, technological development, savings, and inflation—all point to the need for action to be taken now.

The folder then presents a convincing picture of what can be accomplished through **National Investors Corp.**

* * *

Mutual Fund Literature

Distributors Group—Current monthly Investment Report; current portfolio folders on **Railroad (Bond) Shares, General Bond Shares** and **Low-Priced Shares.** . . . **Lord, Abbett**—A letter on the progress of the **American Business Shares** warrant offer; Composite Summary of the **Lord, Abbett**-sponsored funds with year-end figures. . . . **National Securities & Research Corp.**—Memorandum showing December portfolio changes and Current Information folder on **National**-sponsored funds. . . . **Vance, Sanders**—Current issue of **Brevits.** . . . **Calvin Bullock**—Current **Bulletin** listing features of **Dividend Shares, Inc.** . . . **Hugh W. Long & Co.—Manhattan Bond Fund** Investment Holdings as of Jan. 1; letter containing Federal income tax information on **Manhattan Bond Fund. Fundamental Investors** and **New York Stocks.** . . . **Keystone Corp.**—Memorandum on taxable status of **Keystone Custodian Funds** Distributions. . . . **Selected Investments Co.** — Current issue of "These Things Seemed Important."

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Am. Tariff League Dinner is Tonight

At the 60th Anniversary Dinner of the American Tariff League at the Waldorf-Astoria Hotel tonight, Jan. 18, the growing concern of industry, agriculture and labor over United States international trade policies will be discussed. Senator Kenneth S. Wherry of Nebraska, Republican whip in the Senate, will make the principal address: "What About Our American Economy?" League President Frederick W. Barbour, President of the Linen Thread Company, will preside.

Leading industrialists and agricultural and labor figures will be present, the League said, indicating heightened interest in the practical effects of the tariff reductions under the Reciprocal Trade Agreements Act. The dinner is expected to focus national attention on the many problems raised by the revision of the tariff structure.

Maurice Meyer of Hirsch On Business Trip

Maurice Meyer, Jr., partner in charge of the bond department of Hirsch & Co., 25 Broad Street, New York City, members of the New York Stock Exchange and other exchanges, is on a two weeks trip to visit the firm's Cleveland and Chicago branches.

United Gas Interesting

United Gas Corporation offers an interesting situation according to an analysis issued by Sulzbacher, Granger & Co., 111 Broadway, New York City, members of the New York Stock Exchange. Copies of this study, which discusses the background and operations of the company, may be had from Sulzbacher, Granger & Co. upon request.

A Substitute For Universal Military Training

(Continued from first page)

out that despite the lack of Universal Military Training or any major preparations worth the name, this nation is waging a successful war. Obviously this country must never fall into its once complacent, self-satisfied state. We must be prepared.

In the final analysis, and perhaps in oversimplification, the proposal for Universal Military Training is little more than a project for a vast, glorified physical training program of one year's duration—and at best a poor substitute for early continued development of mind and body.

The proposed plan ignores the fundamental facts that:

1. Modern war demands well-developed physiques.
2. Modern war is technical and mechanical.

What, then, is the answer?

I. Physical Training

Physical training must be commenced, as a national policy in the elementary schools and continued through high schools. Means must be found to carry on this training following high school, either in continuation school, college or elsewhere.

Many physical defects are discoverable early in life and can then best be corrected. The early development of the body by sound methods, calculated to improve not only muscles but a spirit of aggressiveness, team work and fair play; together with constructive measures raising the public health, will assure this country that 30% of its 18-year-olds will never again be unfit for military duty. Thus inadequate physical training of one year's duration in the form of so-called Universal Military Training with all its attendant evils will be unnecessary.

II. Technical Training

Under the proposed plan, youths could not even begin to learn during their one year's service the scientific and mechanical techniques demanded by modern war, much less keep up with them after their release.

The answer is not an "army" of ill-adapted, immature boys, torn from their normal lives for a year, only to be thrown back again, dislocated and irresponsible. Instead of wasting money on such misdirected training, inducements of pay and free technical education for the scientifically and mechanically inclined form the only possible answer. And advanced training need not be so limited—other fields make their contributions to proper preparation: languages, law and medicine, for example. This type of program would obviously involve the discovery of vocational aptitudes in high school and the supplementing of customary educational curricula not only by the already suggested physical development program, but also by suitable preparatory courses. It would involve, furthermore, a great expansion of our technical schools, colleges and universities, West Point and Annapolis. (Mechanical preparedness would necessarily form a part of the over-all program.)

In this way we would be utilizing not only the economic and financial but the human resources of the country wisely—not foolishly on a year of so-called training replete with many evils. More than that, we would be preparing the youth of the nation not alone for war, but for peace.

III. Methods

1. Commission

A Commission should be created by the Congress to study the entire problem thoroughly and with proper deliberation. A majority of the Commission should be trained civilians drawn from all lines of endeavor; military authorities should constitute a minority on this body. After the proposal for peacetime preparedness is recommended by this Commission and public support is assured, a Federal law with implementing State laws would follow.

2. Federal Law

(a) The Federal Act should prescribe minimum standards and requirements and provide for grants-in-aid to carry them out But preferably the program should be handled, as traditionally, by the States and local communities.

(b) Minimum standards should cover:

1. Physical training
   - (a) raising health of nation in other ways;
   - (b) expansion of training facilities and public health program.
2. Technical and other training
   - (a) discovery of individual aptitudes;
   - (b) expansion of training facilities.

(c) Other minimum standards should cover:

1. Basic literacy
2. Citizenship
   - (a) to know what we are fighting for;
   - (b) to know how to preserve the peace.
3. Elementary military training
   - (a) might possibly be added to regular high school as well as advanced learning curricula;
   - (b) might include military organization, equipment tactics, basic drill, etc.

3. State Law

They would carry out purposes of Federal Act, adapting them to local conditions while still conforming to minimum standards.

IV. Conclusion

It is submitted that the suggested possible solution for peacetime preparedness is superior to the hastily-contrived plan for Universal Military Training. It will solve the problem in a better way than Universal Military Training and avoid its admitted evils.

The proposed substitute will—

1. Prepare Us for War

(a) by better physical development of our youth;

(b) by technical and other training demanded by modern war.

2. Prevent War

(a) by better training than Universal Military Training;

(b) by teaching obligations of citizenship.

3. Promote Physical Fitness

(a) by early, continued program.

4. Be Economically Sound

(a) by not wasting human and financial resources indiscriminately on an arbitrary program not adapted to individual skills and aptitudes.

5. Be Democratic

(a) because it will induce, not compel. It will seek the best potential in each individual and encourage him to develop it;

(b) because it will avoid dangers of military domination over civilian life.

6. Weed Out the Unfit in Time

(a) by a national screening, well in advance of the 18-year age limit. The unfit of all types would then be discovered. Rehabilitation programs would be called for. (Our crime bill is five times that for education.)

7. Not Disrupt Educational, Business, Family, Moral and Physical Life of Nation, as Admittedly Universal Military Training Would

Instead of causing the irresponsibility and dependence attendant upon a year's misdirected effort in youths' most formative years, the proposed suggestion will cause an already physically developed youth to expand—not submerge—their individual talents by offering them an American opportunity to assume their individual and national responsibilities. We will have ready for any emergency—and most of all, for peace — a physically fit, technically trained democratic reservoir of men.

Bank Credit Expansion

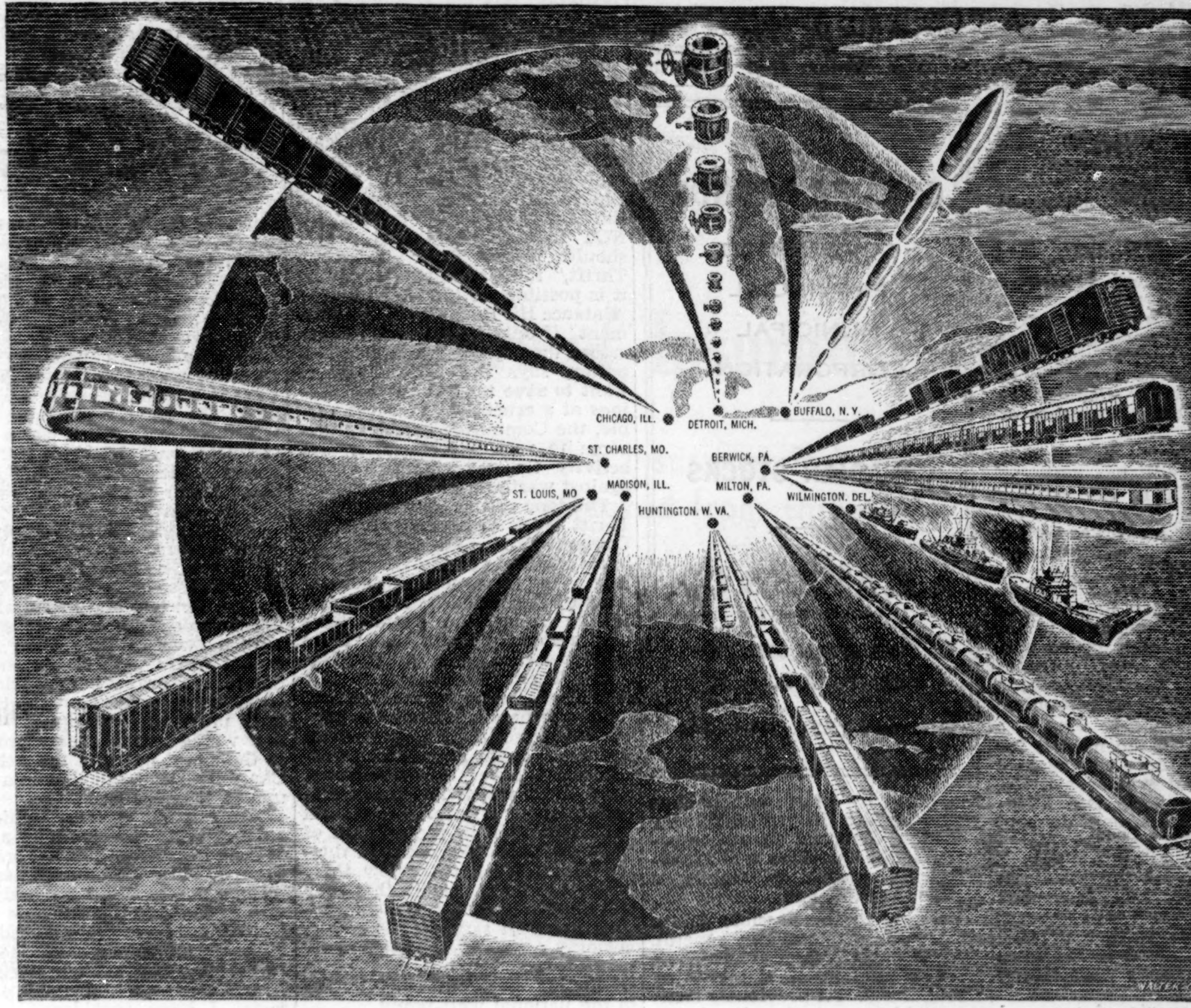
In a current memorandum, Paine, Webber, Jackson & Curtis, 25 Broad Street, New York City, members of the New York Stock Exchange and other leading exchanges, have an interesting discussion of bank credit expansion in World Wars I and II. Also in the memorandum is a forecast of possible market action. Copies may be had from Paine, Webber, Jackson & Curtis on request.

"Peps" in Home Stretch

"PEPS" still appear to offer possibilities for further substantial appreciation according to a circular on the situation issued by Scherck, Richter Company, Landreth Building, St. Louis, Mo. Copies of this interesting and informative circular may be had from the firm upon request.

Indiana Gas of Interest

Indiana Gas & Chemical common offers attractive possibilities according to a study of the situation prepared by First of New York Corporation, 70 Pine Street, New York City. Copies of this interesting analysis may be had upon request from First of New York Corporation.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Canada and War Finance

Our new pamphlet entitled "Canada and War Finance, September 1, 1939—November 30, 1944," provides an interesting survey of many salient features of the Dominion's wartime economy.

Copy of this new pamphlet gladly furnished upon request.

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Canadian Securities

By BRUCE WILLIAMS

Never has Canada demonstrated more clearly a sounder grasp of the fundamental facts of economic life when, following the recent visit of Lord Keynes, the Dominion proceeded to form a new division of the Department of Trade and Commerce with the object of stimulating the import of goods from Britain. By this Act Canada formally disavows the outmoded and erroneous conception that a healthy state of trade requires the existence of a large balance of exports over imports.

Moreover, it is now clear that Canada is prepared to continue further along the road to fuller integration of her economy with that of Britain.

Never before in the relations of the Dominion and the Mother Country has there existed a greater mutual respect. And, as a consequence of the impressive economic development of Canada during the war, the Dominion is now in a position to assist the Mother Country to repair the economic ravages of the war.

Britain, although considerably impoverished, still has great potential strength in the political sagacity and commercial experience of her leaders as well as in the inventive capacity and industrial skill of her people. On the other hand, Canada has possibly the greatest undeveloped store of natural resources in the world, and should it prove possible to integrate the two economies to an advanced degree, a solution of the British problem would be in sight.

With regard to the market for the past week, there was again a strong tone and greater activity. Among the high grade issues, Nationals were in strong demand but offerings were scarce. Montreals were buoyant and although since the turn of the year the long-term bonds have advanced 3 to 4 points, there still appears to be scope for further upward movement. Internal issues were firm and free funds were strong at 10% discount.

Following reports of renewed discussions in Toronto on the Alberta debt question, the bonds of this province were in active demand. It is now becoming more generally accepted that a solution of this protracted affair is at last in sight.

Among a welter of rumors concerning possible details of a plan, the most optimistic anticipate full settlement of back interest, with payment partly in cash and partly in scrip, and an exchange of existing bonds for a new long-term bond with a 3½% coupon.

The materialization of such a scheme and its almost certain acceptance by the bondholders would remove the last blot on the Canadian financial record, especially if the Province will appreciate the wisdom of making a generous settlement.

Turning to the possible future course of the market in general, there is every reason to anticipate an accentuation of the existing strong trend. As previously mentioned, high-grade Canadian bonds within the 5 to 10 years' maturity range still make favorable comparison with comparable domestic issues and the supply problem is increasingly acute.

The supply shortage is further aggravated as a result of less inclination on the part of Canadian holders to sell their external bonds to secure the premium on U. S. funds. Whereas previously there was a general belief that the Canadian dollar would return to its old parity at the end of the war, if not before, there is now a growing school of thought which holds a contrary view based on the connection of the Canadian dollar with sterling.

CANADIAN BONDS

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Bought—Sold—Quoted

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64 WALL STREET, NEW YORK 5
WHitehall 3-1874

National Thrift Week January 17-23

National Thrift Week opened on Jan. 17 on Benjamin Franklin's birthday, and continues through Jan. 23. The National Thrift Committee, which sponsors this 28-year-old observance begun in the first World War, has distributed widely, with the cooperation of the great national civic, educational and welfare organizations of the country, suggestions for the individual's "Annual Budget Check-Up" during the week. With the caution that "You can't afford NOT to save," and that people should "Hold Their Gains in Thrift," the Committee says that it is possible for the individual to "Balance His Books With Contentment" if only he saves too often, rather than spends too soon. It is better, says the Committee, to **want to save** than to "want" savings at a crucial time. Most people, the Committee believes, have come to realize from their war activity that our country's war against waste should never end.

The tone of this year's National Thrift Week observance, says the Committee, is more serious than in all the years of the Week's history. In Governors' proclamations of the Week, issued in most of the States, the people have been reminded again that "there is no better way to observe National Thrift Week than to buy War Bonds." The general tenor of the proclamations is that, the people having set their hearts, minds and hands to the successful prosecution of the war, they have practiced thrift which has materially furthered our efforts. They should now, therefore, in the opinion of these officials, take occasion during Thrift Week to review their budgets to make certain that they will be able to conserve their wartime gains in savings. This will not only assure their personal financial security, but will be a continuing personal contribution to the national well-being.

Attractive Situations

Ward & Co., 120 Broadway, New York City, have prepared circulars on several situations which currently offer attractive possibilities, the firm believes. Copies of these circulars, on the following issues, may be had from Ward & Co. upon request:

Du Mont Laboratories "A"; Merchants Distilling; General Instrument: Great American Industries; Massachusetts Power & Light $2 preferred; Majestic Radio; Magnavox Corp.; Electrolux; Brockway Motors; Scoville Mfg.; Bird & Sons; Cons. Cement "A"; Riley Stoker; Alabama Mills, Inc.; American Hardware, and H. & B. American Machine.

Available On Request

Schenley Distillers Corporation have prepared an attractive booklet containing the first articles in the series they have been running in the "Financial Chronicle." Copies of this booklet may be had upon request by writing to Mark Merit, in care of Schenley Distillers Corporation, 350 Fifth Ave., New York 1, N. Y.

Post-War Proposals for Employees of Bank of Montreal Embody Five Points

The Bank of Montreal has announced what is believed to be the most comprehensive program of postwar planning for employees so far outlined by financial institutions. Described by officials as a "five-point rehabilitation plan," it is designed to assure to returning servicemen all of the advantages which they would have enjoyed if they had remained continuously in the service of the bank throughout the period of the war. The bank's announcement says:

"One provision of the plan is that servicemen coming back to the bank shall not merely return to their old jobs. In their absence the position and salary of each has been reviewed annually and the advances which the serviceman could reasonably have expected to receive had he remained with the bank, have been entered in his record.

"Other features provide that the bank pay the serviceman's contribution to the pension fund; that he shall have full coverage under the group life insurance plan, with premiums charged to a loan account and extra charges for war risk defrayed by the bank; that a serviceman can have full accident and sick insurance protection for dependents for 40 to 60 cents per month, and that upon returning to the bank, he may have two weeks' vacation with pay and shall be given a refresher course before taking over the position for which he is best suited."

As many of the 1,116 Bank of Montreal employes now in the armed forces as could be reached were notified of the five-point rehabilitation plan in advance of the public announcement, according to B. C. Gardner, General Manager.

"A United States of Europe Now"

(Continued from page 261)

this war is the fighting, the suffering, and the dying it exacts. We have been told this is a "tyrant's war." But we are beginning to wonder just whom this term includes. Since the beginning of the war we have been told this was a "global war." But now we know that it did not become a global war until we entered the fight. We have been sold the idea that this was a "war of liberation." Now we ask ourselves in deep dismay the question, "A war of liberation to whom and **to what?"**

Since Aug. 16, 1941, our government leaders, even the highest of them, have dangled the principles and purposes of the Atlantic Charter, both in toto and in tantalizing tidbits, before our eyes. It is, they said, a "war of liberation" from an old world with all its ancient ills to the brave new world already being erected on the Charter's universal principles. And now we despair of such a promise in the story, not that the Atlantic Charter is dead, but that as a document, it never lived.

The conflict of fears, which is an inevitable aftermath of a loss of faith in propoganda, has created deep confusion on the American scene. Personally, I have always trusted the American people with the truth. I have every confidence in their innate sense of decency and justice and in their decisions when based on a knowledge of the facts. I have considered it my most solemn duty as a senator to give the American people all the facts in my possession, together with the truth about them, as I see it.

Therefore, tonight I make not even the pretense of an apology for the position I have held both before and during this war. Furthermore, as I see my duty tonight, again in the limited time accorded me it is to give the American people such facts as are in my possession and the truth as I see it concerning these facts.

Le us not mince words. America tonight faces a grave crisis in this war and an impasse in international diplomacy. Since no real agreement could be reached among the Big Three, about the future United Nations organization contemplated in the Moscow Declaration and advocated by the United States, Dumbarton Oaks is a grim hoax. **No** nation today trusts the other nations sufficiently to warrant a single gesture towards risking its security on the success of an international organization. This distrust runs so deep among the Allies themselves that they have not dared to create a United Nations political council such as was promised in the Moscow Declaration of over a year ago. After five years of fighting Hitler on the European continent, and after three years of American participation in the struggle, the precious "unity" of Great Britain, Russia, and the United States cannot produce a common statement of purpose towards Europe. They cannot even agree on a common policy towards Asia. At this very moment, while Americans are doing 70 per cent of the fighting on the western front, 50 per cent of the fighting in Italy, and almost 100 per cent of the active fighting in the Far Pacific, our much-vaunted Allies are now engaged primarily in consolidating and extending their influence into ever-widening spheres in a bloody game of power politics which, if continued, cannot help but blow upon a Third World War. And while this war goes on, the continent of Europe, whose social, economic, and political foundations have already been torn up by the roots, is being further battered into a veritable chamber of horrors.

Actually, Europe has become a seething furnace of fratricide, civil war, murder, disease and starvation. And while this senseless and, up to this present moment, this purposeless process goes on, the President is urged to call for a National Service Act, our Secretary of State, Mr. Stettinius, seeks to inspire fear in the hearts of the American people by drawing verbal pictures of the robot horrors of the next war, and our Under Secretary of State, Mr. Grew, further panics the public mind by threatening that the next aggressor will wreak his wrath on the United States as the first victim of the third World War. America is being subjected to a psychology of fear, of insecurity, of a lack of faith in the effectiveness of the normal processes and principes of international law, a part of which process is revealed in the current Administration drive to saddle upon the American people before this war is over a war psychology and a war economy in the form of peacetime military conscription. Why peacetime military conscription if the President has faith in Dumbarton Oaks? And at a time when there is not a stable government left in Europe or in Asia, when unity between ourselves and our Allies is threatened to its foundation, when millions of men and women are suffering the tortures of the damned, there has not yet appeared a single curative or creative idea around which to rebuild either Europe or the world. What is the answer? I am convinced that the majority of the American people believe with me that it is imperative that a United Nations political council be immediately set up to see that the present series of disgraceful unilateral peace settlements now taking place in Europe stops. Only in this way can the inevitable conflict arising out of the creation of two spheres of influence in Europe be averted. Here is the finest opportunity in the world for those who have been preaching international cooperation in behalf of the Big Three to prove by their acts their willingness to settle these new problems around a conference table rather than at the point of a bayonet. If Russia continues to insist that the fate of Finland, of Poland, of Latvia, Estonia, Lithuania, Rumania, Bulgaria and Jugoslavia, and even Norway, is to be left entirely to her discretion, and if Britain insists that the only answer to Russia's acts lies in her mimicking Russia's methods in her relations with the nations of western Europe all the way from Scandinavia to Greece, there is no point whatsoever in talking about a "World Security League" or political councils and World Courts for the settlement of international disputes in the future. It will be too late.

Secondly, the Big Three must fortmulate some creative idea around which Europe can be rebuilt. Europe has always been the powder keg of world conflicts. It has already taken us in two wars and even now threatens a third one. In 1923 I spent five months visiting almost every country in Europe, including Russia. I have been there many times since then. And from that day to this I have been convinced that the only salvation for Europe, and the only basic cure for her ancient ills lies in the creation of a United States of Europe. This idea is not original with me, of course. It has been advocated by outstanding European statesmen, including Briand of France, Schussnig of Austria, Winston Churchill, Anthony Eden, Clement Atlee, and Sir Archibald Sinclair. Let us consider the basic idea underlying our own United States of America. Suppose each of our 48 States maintained its own exclusive sovereignty, with tariff barriers and business restrictions, suppose our sectional customs, social problems and ideals, suppose our regional economic and industrial interests, suppose our 48-State Militias yielded allegiance to no higher authority than their state or local government, we know full well our history would have been burdened with the shame and grief of more than one civil war. If ever the people of Europe had a cause or were ever in the condition to reorient and reorganize their interests and their loyalties around a more creative and secure ideal than they have ever known before, it is in this hour of their anguish. Furthermore, the acceptance of this remedy for their suffering will provide the core of reality to which the faltering unity among the Big Three can attach itself in all the vigor of a new-found vision. I am convinced that only in this way can we avert a far worse catastrophe than this war in the years ahead. Europe is now in such a state of demoralization that the middle class has been virtually eliminated, and a leveling down process has brought the masses of its peoples to their very knees. Without some higher ideal to discipline and guide them. Great Britain, Russia, and the United States, with the very best of intentions, will be sucked into such a moral, social, political and economic vacuum that they will end up in a struggle to seize control over whatever is left of Europe until they find themselves at each other's throats.

Russia believes she must seize and maintain control of these eastern European nations into which she has marcned in order to protect and secure her western border. But I ask, where does this process stop? And I would answer, not until it reaches open confilct with other spheres of influence. Say what we like about Britain's intervention in Greece, unless I am terribly mistaken, this is the first of many clashes of interest that will inevitably follow, when both Russia and Britain apply this principle. If, on the other hand, Russia will join with Great Britain and the United States in a sincere experiment in international collaboration in that part of the world that constitutes their own back yard, I would be willing to support an international organization that would guarantee on the basis of the principles of the Atlantic Charter the security and integrity, not only of the United States of Europe, but of Russia as well. But I shall oppose any world organization designed to put the United States in the position of holding the draw strings of an international grab bag while Britain and Russia connive or fight for the spoils. No one yet has found a way to save his birthright by selling it for a mess of pottage.

I would conclude by urging, with all the seriousness at my command, that the American people demand the abandonment by their Government and their Allies of the brutal and costly slogan of "unconditional surrender." Until this is effected, we shall go on blowing Europe and our own boys to bits without rhyme or reason, still ignorant of why we fight. And I am convinced that with the establishment of a United States of Europe in which disarmament and economic collaboration are combined, any threat to the security of either Russia or Britain would be eliminated and the task of restoring Germany as a respected member of the society of nations will have been largely begun. I would be and I am sure the majority of Americans also would be unwilling to sanction a peace of vengeance. I am unwilling and I am certain again that the vast majority of Americans are also unwilling that America's sons police the world. We must make a peace that will not require it, a peace we shall be willing to support with all our heart and soul, not only now but 10 or 20 years from now.

Certainly, if we are not fighting this war to transfer the control of Europe from Hitler to Stalin or to Stalin and Churchill, if we are not fighting this war in the far Pacific merely to return to their old masters, the people we liberate, we ought now, once and for all, so to record our intentions.

If power politics in Europe cannot be stopped now, if a free federation of Europe cannot be worked out now, then it does not matter where the American armies stop, our boys will have died in vain—the war will have been lost. No slogans, no full worded phrases can change this result.

* * *

In a speech delivered in the Senate on Jan. 15, 1945, Senator Wheeler again condemned the policy of "spheres of influence," and charged that power politics were pervading the international situation, and that this requires an immediate definition of American policy. A portion of his remarks follows:

"History is repeating itself. The question raised by President Wilson has risen again in these dark hours of the Second World War to plague us: 'Is the present war a struggle for a just and secure peace or only for a new balance of power?' Are people being handed about from potentate to potentate, from dictator to dictator?

"Personally I am convinced that whether one has accepted in servile acquiescence the present ominous trend toward power politics and is now urging cooperation with the 'inevitable' or whether one still refuses to surrender his self-respect and his struggle to salvage what he can of decency and justice from this mad war, it would be a criminal disservice to America, to our Allies, to the world, to confuse, or to tolerate confusion, on these issues for the moment longer.

"For long months on end, this confusion has been fostered in the minds of the American people by deliberate suppression of the truth about the international situation and through reams of propaganda which has identified the struggle of our allies to consolidate and extend their spheres of influence in a new balance of power in Europe, with the deep-rooted ideals and hopes for a just and lasting peace of the American people. These techniques in dealing with the truth have led to such confusion and cynicism among our people that they have begun to lose faith in their own Government leaders. As matters now stand, it is doubtful that even the most fervent global do-gooders, the most inflated internationalist impresarios, or the most ardent Anglo- and Russo-philes could continue to mask the brutal realities with which we are now confronted behind any distortion of the English language, no matter how ingeniously conceived.

"Even the bloodiest bitter-enders, I am quite convinced, are going to find that any attempt to cover up the ever-widening tracks of power policies in Europe by prating about 'unity, beautiful unity' will be like trying to shackle three tornadoes to a palm tree.

"Mr. President, I would have it understood at the outset that what I am saying, the dangers to which I refer, the charges I am making, and the proposition which I am going to offer are in no wise just an expression of personal idiosyncracy. They are not the fiction of an alleged "isolationist" mind. I am not taking the time of this Senate in so crucial an hour of history to embarrass anyone. I am concerned only to be both frank and fair about the nature of the present crisis now confronting America, our allies, and the world."

"News Review"

In the current issue of their "News Review", Huff, Geyer & Hecht, 67 Wall Street, New York City, have interesting comparative tables of market price range of fire and casualty insurance stocks, and a statistical comparison of New York City Bank stocks as of Dec. 31, 1944. Also in the "News Review" are discussions of developments in insurance and bank stocks. Copies may be had upon request from Huff, Geyer & Hecht.

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Business Men Not Devoid Of Moral Responsibility

(Continued from first page)

fearless and unshaken, in our commanders and our men—and in our complete victory.

These have been trying days—grim, terrible days. The taste of military reverses, such as we have not known since Bataan and Corregidor, is bitter in our mouths. One of our deadly enemies has broken out of our ring of fire and steel and lashed back with unforeseen cunning and strength. This has upset our time-table of victory in Europe. The consequences to the nation should not be underestimated. The consequences to suffering Europe, hoping for rescue, are past calculation.

These are days above all days to stand fast, to keep our confidence strong and unflinching. None of us doubts the final triumph of our arms. Our commanders—military, naval, and in the air—have been tried in the fire of three years' war, and have presented us with matchless victories. Shall we, secure in our civilian ease, complain in dejection merely because total victory has not arrived as soon as was expected? That would be conduct unworthy of the heroism of our fighting forces.

We expect reasoned, responsible questioning. Our wars are run by professional soldiers of great ability, but our civilian government, representing all the people, still is in supreme command.

And so I say let question be raised, but let confidence, fundamental confidence, be unshaken.

Let us strip this nation to the bone, if that will give us victory.

Let us have confidence that our commanders, our men, will win this war.

Let us attend to our duty.

And now may I recall you and myself to a consideration of our obligations to each other, the performance of duties in our own spheres. These make their several contributions to national security both at this present moment, as they must in the peace which will surely come.

In sober fact, throughout this tremendous crisis of our national life, nothing has been more remarkable than the instinctive and immediate confidence of the nation in final victory. Nothing has done more to shatter the hopes of our enemies.

Our confidence in war must be carried forward into peace.

Confidence in time of peace is the confidence that provides an atmosphere in which a vigorous and productive national life can be lived. That is the only atmosphere in which business undertakings can be carried forward successfully.

Confidence is based upon responsible performance. The people of this country will have confidence in government, confidence in management, confidence in the Stock Exchange, confidence in the stockholder owners of business enterprises, in proportion as the people observe, and as they believe, that these groups perform their duties responsibly, that they fulfill their obligations to each other and to all the people.

This statement introduces principles of moral conduct operating as rules of restraint in all of our inter-relations.

Shall it be thought strange if in such a discussion as this I present the claims of moral restraint and moral leadership? It may, indeed, seem strange to a group of new economic theorists in our midst. These theorists would view with cynical unbelief any voluntary restraint upon the pursuit of self-advantage. Under their theory, the business man is helplessly obligated to pursue his own economic advantage, indifferent to the restraints which considerate human beings, in a Christian civilization, employ in their conduct.

This cynical theory would place a large class of our citizens, the business men, on a level with the barbarians we are fighting. It is precisely the Nazis and the Japanese who have adopted, as their national and personal policy, the unrestrained pursuit of economic advantage. To this end they have employed enslavement, destruction and cruelty unspeakable.

Those who accept this theory, and their number is not inconsiderable, naturally demand that the business man shall work in chains. He must be held down by the severest rules, and his profits must be redistributed to the rest of society. It is a vicious doctrine of class warfare introduced into our free nation.

Speaking for the sections of the financial and business community that I know best, this theory of unrestrained pursuit of personal advantage has no application whatever. Our community has no franchise, no privilege, to conduct itself differently from the rest of its fellow human beings. Its members do not believe that they have any such franchise.

Speaking for management in general, as I know it, I deny and repudiate a theory which would declare it devoid of moral responsibility. The observed conduct of management displays a constantly higher sense of responsibility.

The time to reflect upon the mutual obligations of management, of stockholders, of government and of finance is now. Pressures that are building up could provide the causes of later catastrophe if we are complacent.

The most important area in which preparation for peace and for a sound post-war economy lies not in our factories and in our banks, but in our minds. This is the true area of urgency.

We are apt to assume that confidence rests entirely upon stability, upon that which is unchanging. At least we know that the laws of Nature, the fertility of the soil, certain qualities of human nature throughout the centuries, are not changed.

But is that our only reliance? Do we believe in a dynamic society, or in a frozen society? It seems to me that confidence rests also upon change, and this city provides one of the mightiest examples of the change which produces confidence.

A significant change in national living was produced first here in Detroit when suddenly, in the age of steel, steel was made to take on universal mobility. Steel was put on wheels—for use by everybody.

The men of Detroit who faced the gigantic change to war had confidence that they could meet this change, because already they had met changes of the first magnitude in peace-time.

Today our armed forces advance on the wheels you have made, fire your shells from your guns, rain down your bombs upon the enemy from the airplanes you have helped to build.

Whatever changes may be required in converting from war to peace, we have confidence they will be made.

We have confidence that our economy will remain dynamic. Only a dynamic economy can give high-level employment.

Today we are considering three fields particularly in which responsibility is needed as the basis of national confidence—the responsibility of management, the responsibility of security-holders, the responsibility of the financial community. And whether the people as a whole are actual or potential owners of securities, we have to consider the whole people as concerned with the inter-relationships to which I have alluded.

It is a good thing, before you talk about other people, to take a close look at yourself first.

The New York Stock Exchange, which I have the honor to represent, is only one among a great many financial institutions. But directly or indirectly, considering the use made of its facilities by individuals in the purchase and sale of securities; by banks, life insurance companies and the like, and by listed corporations, it is used by more people than any other financial institution.

It is the nation's principal market for securities.

We can take great pride in the fact that only free nations permit their securities markets to function freely in times such as these. The United States and England have kept their markets open throughout this war. The Secretary of the Treasury, Mr. Morgenthau, declared on the floor of the Stock Exchange, not so long ago, when the war was in a critical phase, that he knew of nothing which would better demonstrate to our enemies how strong this country is financially than to keep the New York Stock Exchange and other exchanges open.

This was evidence of confidence in high places, and we know today how well that confidence was justified. The markets in these nations have been, all along, free to reflect their appraisal of all the factors in their complex economies.

In contrast, the Axis nations, which made slaves of their own people before undertaking the enslavement of others, muzzled their markets, virtually suppressing them, not only to prevent the free flow of capital but to stifle any expression of those terrible apprehensions which the doomed nations have long felt.

But our moments of deadliest peril—the Battle of Britain, Dunkirk, the bare respite at Alexandria, Pearl Harbor, even these grim days of the Nazi breakthrough in Belgium—have not interfered with the open, orderly conduct of our free markets.

Our market today, as a matter of fact, is reflecting our confidence in the survival of the free system under which our business is done and our lives are lived, as well as confidence in victory.

What good use do we make of our freedom?

Manifestly, its position requires that the New York Stock Exchange perform responsibly. What can be said of its present performance?

The mechanism for the open establishment of prices by the public on our market has been worked out over a period exceeding one hundred and fifty years. It functions with smoothness and speed. This is the result of effort by men, by human beings trained to their task. I have high admiration for them.

As a result, a great body of opinion as to present-day values and prospects, centers in this one spot. It is the fairest system, I believe, that sincere men, men of good will, can devise.

At many points in the operations of the industry of finance, as in any large human undertaking, the opportunity is present for selfish or improper conduct. All those points are well known. They are marked, like dangerous traffic intersections, with records of great volume safely handled—and with an occasional wreck.

Traffic officers and traffic lights will not prevent all accidents. People themselves must be careful. They must accept and practice responsibility.

The Exchange has machinery for preventing accidents. The rules of the road, both those made for us by government and those we have made ourselves, are constantly in our minds. There is no chance of their becoming dead letters—they are very live and they are honored in the observance. Where our rules and policies are abridged in any way, we take appropriate action.

The very essence of Stock Exchange principles is the disclosure of facts as the only sound basis upon which to pass judgment as to security values. Our member firms have invested large sums of money in research for preparing and analyzing factual information relating to the securities on our trading list. Those who scorn factual information and who conduct their operations on the basis of tips, rumors, hunches and impulses are misusing our facilities. They contribute to market instability and they render an absolute disservice to our general economy.

All groups, whether comprised of members of the financial community, of industrial and business managers, of labor, of investors or speculators—and of Government—have a direct responsibility one to the other and to the public. Danger arises for any of these groups when it begins to entertain the feeling that it is isolated from others, that it is the judge of its own behavior and, finally, that it is privileged to make exceptions, in its own favor, to principles of conduct which apply to other people.

Here, I repeat, is the danger. We of the financial community can guard against it, first, by upholding high standards of ethics in every conscience and every corner, and, second, by exposing ourselves to constant scrutiny from those to whom we are responsible.

We do our utmost to run a well ordered market. Ours is a serious business, a necessary part of the machinery which supplies capital to business so that business can supply jobs. The Exchange provides, in the interest of the public, a great many safeguards—too numerous to mention here.

The Stock Exchange, by very reason of the fract that it conducts a free market, is constantly exposed to certain dangers. One of the greatest of these dangers is that its facilities may be misused. Recognizing this danger and being jealous of its reputation, the Exchange has taken many precautions. Among these is an explicit rule which requires that our member firms know their customers and the circumstances of these customers.

I mention this rule for the purpose of emphasizing, as I have often done in the past, that anyone who is unwilling to inform himself as to values, or have some competent person inform him, or who cannot afford to take risks, should stay out of the market.

There is another type of business we do not want. Let me say it with a clearness to be understood by everyone: we do not want race-track money. It does not belong in our market.

Our purpose is to provide a market place that merits the confidence and use by responsible people—a market that helps the flow of money into business, so that business can provide goods for consumers and jobs for workers.

Now what shall be said of the responsibilities of management, and I refer particularly to the managers of publicly-owned companies.

The triumphant performance of American management in this war has brought to it a high degree of public confidence. It is no more than management has deserved.

When we enter the peace, I believe the public, which eagerly expects merchandise improved under war techniques, will desire not only to buy these goods but to buy into them, to buy into the companies that make them.

The public may prove more optimistic than management on the question whether profits will be ground small between taxes, the upper millstone, and wages, the lower. Accustomed to seeing management perform miracles, the public may expect a miracle of profits under impossible handicaps.

Let us talk frankly and often about making a profit.

Certainly profits have to be made if jobs are to be provided. Ability to show a reasonable profit is the acid test of success and of usefulness. All Americans know this. The people of this country have no respect for a deficit.

The relations between the financial community and management are necessarily numerous and close. These relations have already had the effect of increasing public confidence in the corporations listed on the Stock Exchange. Management has, in most cases, been cooperative with the Exchange in the many measures mutually agreed upon as in the public interest. I might mention as an example the full and regular disclosure of pertinent information concerning the financial condition and operations of listed companies. Agreement to make this disclosure is a prerequisite to listing.

The task of persuading corporations that disclosure is needed, that it is in the public interest and in their own interest, has sometimes been difficult. This is understandable. A business man, particularly if he has been responsible in the past to himself or to a few owners, does not like to reveal his intimate affairs. But when he needs other people's money in his business, he has to take them into his confidence.

A thesis, set forth with ominous emphasis a dozen years ago, declared that, in the modern corporation, management was divorced from stockholders; and in consequence was responsible to no one. Stockholders, according to this thesis, had no practical method of enforcing their will upon management, or even of learning what was being done with their money.

However little this thesis may have been accepted, no one of us can afford to pass lightly over its implications, or its possible impact upon the public mind.

A power vacuum will not exist. Nature will abhor it as promptly as any other vacuum. Power from some source will rush in, and the state may be tempted to supply that source.

I have no sympathy with this whole thesis that management is not responsible. I consider it shallow and unrelated to realities.

But let us recognize frankly that we have a new situation on our hands, containing problems that are far from being solved, among them the problem of responsibility to owners.

Widespread ownership of corporations is hardly more than two decades old. It is one of the soundest things that could happen to the country. It distributes wealth. It mobilizes the savings of many for giant achievements. It has created a new type of professional manager of a competence hitherto unknown in economic history—of vast usefulness to society.

If, with these benefits, widespread ownership also presents problems, let us approach them with confidence that they can be solved.

Government itself in two World Wars has undertaken to educate the people to becoming security owners. A direct result of the first undertaking was a nation-wide ownership interest in corporate enterprises. The second undertaking already has created 80 million stockholders in government—owners of War Bonds.

The nation must find means of teaching these people how to be responsible owners of these bonds, how to hold them so as to realize their full value, how to guard against schemes to swindle them out of them. The way to protect the people is to inform them.

The problem of consulting owners of securities is not simple. Management in a small business can readily consult a few owners. But government with millions of bondholders and management in a corporation with thousands of stockholders must rely upon broader informational methods.

Making the corporation report truly readable and informative to the average stockholder is one answer to the problem. Some corporations have succeeded admirably in this direction. Others supply only meager information. Still others, even before the war, issued their reports later than seemed warranted.

The examples of the few can be commended to the many. Trained and responsible executives of top rank can well be assigned, as a major duty, to the task of maintaining relations not only with the public, but with security-holders.

Such measures are an essential element in the democratic process. Its greatest virtue lies in accustoming management to its public function, in keeping constantly before its eyes the duty to make frequent and lucid accounting to owners and to the public. Thus management is safeguarded from the dangers of isolation, among the most important of which is the possible encroachment of the bureaucratic state. Any pains taken by management to prevent this are well bestowed.

Nor are these mere idle fears. The temptation of management, under some conditions, to become itself bureaucratic cannot be overlooked. Then arises the danger to which I have already referred, the danger of feeling privileged to depart from principles of conduct which apply to others.

The sense of direct responsibility to the public must at all times pervade the management of every publicly-owned corporation. Stockholders sometimes complain, and sometimes with justice, that management gets paid and they do not. They question the size of salaries. They want dividends. After all, they own the business. Perhaps management has been too modest in failing to make its value and competence known to stockholders.

If owners are told how the business is run, and the results are satisfactory, the owners will not be ungenerous to management.

I wish to make the point, with full emphasis, that if anybody is the friend of the security-holder, it is the New York Stock Exchange. He is the customer of our membership.

We are also the friend of management, not less than of the stockholder. As stockholders understand the responsible performance of management, their confidence is increased.

What shall be said of the stockholding public? In what way can they strengthen the basis of confidence? Let us encourage practical, thoughtful public attitudes in owning securities. This means, among other things, doing business with responsible brokers.

How to own securities and manage investments is not well understood by many people who want to own them and who will own them. The Exchange frequently gets letters from people saying they have life savings of a few hundred or a few thousand dollars and want advice as to how to invest the nest-egg and get a good return. Our member firms, I am told, also receive such letters.

There is but one answer, "Buy War Bonds." That is sound advice for anyone, but particularly for the new and inexperienced investor of small means. The experienced investor does not need that advice. His portfolio will show a large percentage of his capital invested in Government securities.

But even experienced investors do not always act responsibly.

Stockholders too often disregard the efforts of management to give them information. They do not read reports, they do not return proxies, they do not attend meetings even when they easily could do so. Too many stockholders do not behave like responsible owners of property. They refuse their share in the democratic process as much as does the citizen who refuses to vote.

Our task, however, is not to find fault, but to find remedies. If the public should learn as much about owning and managing securities as it has learned, for example, about Victory Gardens, the public welfare would be served. If it was a national asset that city folks should know how to raise corn and tomatoes, and worthwhile to run a great public educational campaign about it, we might find some value in a program to teach folks how to own and manage securities intelligently and thus make a contribution to national wealth.

To be sure, the investor faces many uncertain factors in the movements of security markets, just as the farmer faces frosts, floods, droughts, corn borers, weeds, and weevils. I am a corn farmer by trade, and so I can speak from experience.

Man is an animal who has to use judgment and take chances, no matter what he does. But the more he knows, the less he risks. All possible information should be marshalled for the benefit of security holders. That has been a principal objective of the New York Stock Exchange for a great many years.

This nation will soon require venture capital, in very large amounts. The welfare of the people will depend upon the flow of such capital into business enterprises, to expand our economy and provide high level employment. The mass savings of the nation have been mobilized for this purpose before, and they will be so mobilized again.

Responsible performance by the industry of finance, by the managers of business enterprise, and by stockholders, each in their spheres, will form the basis of confidence. As performance is improved, confidence is increased.

I have spoken about these three areas of private obligation and responsibility, because, in my belief, if the various groups in our economy perform responsibly, less opportunity will be afforded those who would supersede private performance by an all-encroaching state.

So, I say, let us all fulfill our obligations with a high sense of responsibility so as to increase national confidence.

In the atmosphere of that confidence the nation will be better equipped to face the difficult tasks of peace. The confidence that has sustained us in battle must be carried forward into the difficult period that lies ahead.

Committees Appointed By Adams, Head of National Ass'n of Securities Commissioners

Clarence H. Adams, Securities Commissioner for the State of Connecticut, and recently elected President of the National Association of Securities Commissioners, announces the appointment of the following committees for the National Association:

Clarence H. Adams

1945 COMMITTEES

Executive Committee

Clarence H. Adams, President (ex-officio) Connecticut
J. Edwin Larson, 1st Vice President (ex-officio) Florida
John L. Carter, 2nd Vice President (ex-officio) Arkansas
Allan S. Richardson, Secretary (ex-officio) Colorado
Harold Johnson, Treasurer (ex-officio) Nebraska
James F. Merkel, Field Secretary (ex-officio) Ohio
Andrew J. Markey, New Jersey
Edward J. Samp, Wisconsin
Horace B. Sessions, Texas.

Convention Committee

J. Edwin Larson, Chairman, Florida
Thad Eure, Vice Chairman, North Carolina
D. D. Murphy, South Carolina
Ruth Ruen, Michigan
Greene S. Johnston, Florida
Maurice Hudson, Oregon.

Membership Committee

Greene S. Johnston, Chairman, Florida
Maurice Hudson, Vice Chairman, Oregon
Hal G. Hoyt, Maine
Horace B. Sessions, Texas
Edward J. Samp, Wisconsin
J. A. Graham, North Dakota.

Education and Publicity Committee

Harold Johnson, Chairman, Nebraska
Allan S. Richardson, Vice Chairman, Colorado
Edward J. Samp, Wisconsin
Ruth Ruen, Michigan
Kenneth A. Weddle, Indiana
Walker Wood, Mississippi
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Edward J. Samp, Wisconsin
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Uniform Registration Forms Committee

Ralph F. Knudsen, Chairman, Iowa
Harold Johnson, Vice Chairman, Nebraska
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Constitution Revision Committee

Andrew J. Markey, Chairman, New Jersey
Chas. T. Houston, Vice Chairman, Tennessee
Harold Johnson, Nebraska
Ralph F. Knudsen, Iowa
Russell Maloney, Missouri.

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Russell Maloney, Chairman, Missouri
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Andrew J. Markey, New Jersey
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Thirteenth Edition of Lamborn Sugar Calendar

The 13th annual edition of Lamborn's Sugar Calendar containing statistical data and other vital information pertaining to the sugar industry of the United States and the world, is being distributed by Lamborn & Company, Inc., 99 Wall Street, New York City.

This unique calendar provides for each day of 1945 the prices for raw and refined sugar effective the same date in 1944, together with the monthly averages.

It gives other useful and interesting material such as the harvesting periods of the sugar crops in the various countries of the world, and the highlights of Government regulations and controls during 1944.

Bright Possibilities

The current situation in Central Iron and Steel also appears interesting, according to a bulletin just issued by Lerner & Co., 10 Post Office Square, Boston, Mass. Copies of this may be had for the asking.

NOTICE OF REDEMPTION

To Holders of

Paramount Broadway Corporation

(The Paramount Building)

First Mortgage Sinking Fund Loan Certificates
Due February 15, 1955.

Notice is hereby given that as provided in the Mortgage and Deed of Trust dated January 1, 1926 between Paramount Broadway Corporation (the name of which was subsequently changed to Paramount Pictures Theatres Corporation, hereinafter called the Corporation) and United States Mortgage and Trust Company (now Chemical Bank & Trust Company), as Trustee, as amended and modified by the Supplemental Indenture dated as of February 15, 1935 between the Corporation and Chemical Bank & Trust Company, as successor Trustee, the Corporation has elected to redeem and hereby calls for redemption and will redeem on February 15, 1945, all of the First Mortgage Sinking Fund Loan Certificates (hereinafter called the Certificates) which shall have been issued and are outstanding on February 15, 1945 under the afore-mentioned Mortgage and Deed of Trust, as amended, together with all Certificates heretofore executed by the Trustee but which shall not have been delivered as provided in Section 1 of Article One of the said Mortgage and Deed of Trust, as amended, by February 15, 1945, such Certificates aggregating $15,000 principal amount.

The Certificates so to be redeemed will be due and payable on February 15, 1945, the redemption date, at the principal office of Chemical Bank & Trust Company, 165 Broadway, Borough of Manhattan, City and State of New York, and interest on said Certificates will cease to accrue from and after said date. Said Certificates, (1) in the case of all outstanding Certificates with all interest warrants thereto attached maturing on and after February 15, 1945, and (2) in the case of undelivered Certificates with all interest warrants thereto appertaining, are required to be presented and surrendered on or after said date at said office of Chemical Bank & Trust Company, for payment and redemption.

Upon such presentation and surrender of each Certificate, with all such interest warrants, there will be paid the redemption price thereof being an amount equal to the principal amount of such Certificate, together with all interest due thereon at the date of such redemption, viz., February 15, 1945, (which shall include any additional interest which may have become due and payable with respect to such Certificate prior to or at the date of such redemption).

Chemical Bank & Trust Company, as successor Trustee of said Mortgage and Deed of Trust, as amended, will collect the redemption price and interest payable with respect to all Certificates heretofore executed by it but which shall not have been delivered as provided in Section 1 of Article One of said Mortgage and Deed of Trust, as amended, by February 15, 1945, and upon the surrender for cancellation to the Trustee at its said office of each outstanding First Mortgage 5½% Twenty-Five Year Sinking Fund Gold Loan Certificate issued under said Mortgage and Deed of Trust, prior to its amendment, the Trustee will pay to the person entitled thereto an amount equal to the redemption price and interest so collected with respect to an executed and undelivered Certificate of an equal principal amount.

Paramount Pictures Theatres Corporation
(formerly Paramount Broadway Corporation)
By BARNEY BALABAN, *President*

Dated: January 16, 1945.

Additional Expressions Anent Peacetime Training Proposal

(Continued from page 263)

EDWARD LOWBER STOKES

Edward Lowber Stokes & Co., Philadelphia, Pa.

There can be no shadow of doubt that, after the war, provision should be made for a system of universal military training for boys of 18 years and older. This would save the need for a large standing army and, by a sensible military preparedness, tend to preserve the peace and security of the nation and of the world.

Also, such a system would help the boys to become physically fit, and teach them obedience and discipline.

C. S. SARGENT

Partner, Hornblower & Weeks, New York, N. Y.

I, myself, think that universal military service would be an excellent thing.

THEODORE B. FURMAN

President, Seaboard Trust Co., Hoboken, N. J.

My reasons against compulsory military training in peacetime are summarized as follows:

The tendency toward regimentation;

Theodore B. Furman

Terrific cost to the United States Government;

One year's training will not prepare men nor keep them prepared for a war which may start a number of years hence. Military tactics and the implements of warfare change so rapidly that approximately a few years after training, such training would possibly be obsolete; hence prior to any war, thousands of men who have only had one year of military training, would have to be trained all over again;

Impossible to properly train men physically in one year and also to hope that after dropping that physical training at the end of the year, that such physical fitness so attained within the year will remain with an individual man for any length of time thereafter. The statement that so many men were physically unfit for this last war, does not tell us whether these were cases of men who tried to enlist or were just drafted men. The men who were finally turned down as physically unfit by draft boards throughout the nation were rejected for causes which in the main could never be adjusted by any amount of physical training, especially with one year's physical training between the age of 18 and 23;

Discipline Agreement Baseless

It has been advanced that this compulsory training would give the government an opportunity to properly discipline the youth of the nation. This thought certainly appears ridiculous, in that a youth without discipline up to the age of 18 or older could be properly molded into a good disciplinary example of young American manhood. It is especially so, when considering the conditions under which he is expected to receive this exemplary training, as it must be remembered that he may be one of the majority forced against his will, to enter into compulsory training;

The educational feature has been stressed by certain politicians and some people in the teaching profession. This thought also appears ridiculous, insofar as a real aid to the youth in training. It might, however, be used as a subterfuge, by certain schools of training, to obtain allotments from the total governmental appropriations for such compulsory training;

National Guard Training

If we need to have a large number of properly trained military men, we can continue the National Guard. The old National Guard has heretofore formed the nucleus for our fighting armies. Men formerly had to enlist for a period of five years. Some years ago, this enlistment was reduced to three years. Re-enlistments were for one year periods. The only inducement for a young man to join the National Guard heretofore, was exemption from jury duty, under certain conditions imposed by the states. However, many young men joined and were discharged from the National Guard without knowing that they had any exemption from jury duty. Those who joined the National Guard, did so mainly because they liked military life to the extent offered by the National Guard and also because they were patriotic;

Improve Armory Facilities

The armories of the National Guard dot the whole United States and the facilities for military drilling are ready for a vast future program. These buildings would only have to be added to or increased to the extent of the increased number of men wanted in training at any one time. In place of one year military training, the old National Guard has had many men who re-enlisted for periods of ten to any number of years beyond. They therefore had the advantage of not only continuing military training, but also of keeping up to date in new methods and implements of warfare. The same thing could be accomplished again and even to a far greater extent as regards voluntary re-enlistments, if a few simple inducements were added to make membership in the National Guard more attractive. Added to the present armories and in new armories to be constructed, would be a swimming pool, gymnasium, indoor track, basket ball courts, bowling alleys, billiard and pool tables and libraries. These are some of the added features I can think of rather quickly. Others could, of course, be added and some of the added features could be made self-sustaining as to cost. Athletic directors can be attached to the armories and competitive baseball, football, basket ball, bowling, swimming and billiards, made a part of the activities. The library with any necessary adjuncts, can be installed for permanent educational purposes. With such added attractions, these armories can be made the club-house or youth centers for our young men. They would not only be the poor young men's club-house, but they would attract each and every youth, because of the type of features I have mentioned. Certainly with a setup like this, the amount of good attained by the boys of the nation as against compelling these same boys to leave their homes for one year and to be forced under that type of regimented domination, seems to me incomparable.

BARTHOLOMEW O'TOOLE

President, Pullman Trust & Savings Bank, Chicago, Ill.

I am reluctant to express a positive opinion on the subject of "Compulsory Military Training in Peacetime."

Seven of my children have been serving in the Armed Forces for some time, two of them having been in the army for 10 months prior to Pearl Harbor. Just recently I received a telegram that one of these two boys was killed in action. This young man, who was 27 years old, was obliged during his first year in the army to submit to the orders of some officers who were thoroughly incompetent and who apparently owed their positions to their political ability in civil and military life. I am afraid a large permanent military establishment would lead to a repetition of this sort of domination by men whose principal aim is their own personal advancement, and the net result of their contact with intelligent boys would be unfortunate.

My children, like many others who are serving in the Armed Forces, are all college graduates. I consider them much more competent to pass upon this question than those of us who are still in this country. During the last war the horrible mistake of Prohibition was inflicted on the country while our boys were overseas. I hope no similar mistake will be made this time.

No doubt some of those who favor compulsory military training are sincere and consider themselves qualified to speak on the subject, but those who are now serving our country have had an opportunity to learn at first-hand, and they are vitally interested in the conditions under which their children must live.

Let us not permit foolish enthusiasm to lead us hastily into what may prove a tragic error.

MOST REV. E. J. RANDALL

Bishop, Protestant Episcopal Church, Chicago, Ill.

Bishop E. J. Randall

I am not in favor of enacting any law on this subject at the present time.

CHRISTIAN W. KORELL

President, Underwriters Trust Co., New York City

While it seems apparent from your forum and other expressions of public sentiment that some program of compulsory post-war training is inevitable, I agree with the opinion of Dr. Cyril F. Meyer ["Chronicle" of Oct. 26]: "Why the hurry?" Let the matter await the return of the men in the armed forces and give them a chance to express their views on the subject and answer the question as to whether or not they want their sons to receive compulsory military training. There are too many phases to be analyzed and considered for any quick decision, particularly because of its far-reaching consequences.

I am not inclined toward compulsory military training, remembering that many of our forefathers left their native countries years ago to embark for America for the very reason that they did not want their sons to be militarized. They had witnessed too much of the arrogance and insolence of the ranking officers of their day, with the resulting caste distinctions, to wish their children to have any part in it.

If, however, it be the will of the majority of our people, I should favor a military course coordinated with the curriculum of high school or college, but not interfering therewith. I am definitely opposed to anything that savors of a CCC camp.

From the purely physical standpoint, it would seem that the health of our young people is fairly well cared for in schools and colleges, through the use of their swimming pools, gymnasia and varied sports. On the other hand, discipline and moral training, which should be inculcated by the home, are sadly neglected except as religious and other morale building organizations make their influence felt. To my mind, no health program is complete without training in discipline and morals, which should form an integral part of the school curriculum.

JOHN SLOANE

Chairman of the Board, W. & J. Sloane, New York City

I am in favor of the proposed universal military training legislation as I think the measures proposed will provide a safe and fair method of protecting this country.

I would recommend a limited compulsory service with the army, and an enlistment for a further period in a National Guard Reserve.

Those who are physically disqualified to join the army should be given other work which would train them to overcome their physical deficiencies and to make them better citizens.

Provisions should be made to control the power of the military

REPUBLIC OF CHILE

Notice to Holders of Dollar Bonds of the Republic of Chile, Mortgage Bank of Chile, Water Company of Valparaiso, City of Santiago, and Chilean Consolidated Municipal Loan

On and after February 1, 1945, in accordance with the provisions of Law No. 5580 of January 31, 1935 as regulated by Decree No. 1730 of May 17, 1938 and Decree No. 37 of January 4, 1936 of the Republic of Chile (which decrees are now consolidated into Decree No. 3837 of October 24, 1938) and decrees issued pursuant thereto, **holders of assented bonds of any of the above loans will be entitled to a payment at the rate of $11.26 per $1,000 bond against presentation and surrender for cancellation of the two coupons corresponding to said payment as set forth in letter of transmittal.**

The above payment will be made only in respect of bonds which have been stamped with appropriate legend to indicate that they have assented to the provisions of the aforesaid Law and Decrees (hereinafter referred to as the "Plan").

In the case of bonds which have been so stamped on or after October 24, 1938, the presently announced payment will be made against presentation and surrender for cancellation of the two coupons corresponding to said payment under the Plan and the bonds need not be presented.

In the case of bonds of the above issues which have not assented to the Plan, said payment will be made against presentation of the bonds with all unpaid coupons attached for stamping to evidence their assent to the Plan on or before December 31, 1945.

A more detailed notice concerning the presently announced payment will be furnished with form letters of transmittal.

Presentation of stamped coupons in order to receive the presently announced payment at the rate of $11.26 per $1,000 bond, and presentation of bonds with appurtenant coupons for stamping, should be made at the office of the correspondent of the undersigned in New York City, **Schroder Trust Company, Trust Department, 48 Wall Street, New York 5, N. Y.,** together with an appropriate letter of transmittal. Letters of transmittal, and in the case of dollar bonds of the City of Santiago and the Consolidated Municipal Loan copies of the Prospectus, may be obtained at the office of said correspondent.

When requesting letters of transmittal, kindly indicate whether the letter of transmittal is to be used in connection with the presentation for payment of coupons which have already been stamped, or in connection with the presentation of bonds and coupons which have not been so stamped. In the latter case, kindly indicate whether or not the letter of transmittal is to be used in tendering bonds of the City of Santiago or the Consolidated Municipal Loan.

CAJA AUTÓNOMA DE AMORTIZACIÓN DE LA DEUDA PÚBLICA
(Autonomous Institute for the Amortization of the Public Debt)

ALFONSO FERNÁNDEZ, *Manager*
ALBERTO CABERO, *President*

Santiago, Chile, January 15, 1945

leaders so as to prevent their gaining too much power. I believe the danger of such a contingency is more than offset by the improvement in the health and the morale of our young men which would result from universal military training.

RICHARD R. WOOD

Executive Secretary, Friends' Peace Committee, Philadelphia, Pa.

Conscription for military service is being proposed as a permanent policy for the United States after the war. Such measures as the May Bill now before Congress indicate the trend.

Richard R. Wood

Before deciding to adopt conscription as a permanent policy, consideration of national welfare imposes on us the duty of asking some questions about it—questions that have been overlooked by its proponents. They are serious questions. That they have been overlooked is striking evidence of the uncritical acceptance which is generally given to proposals like conscription, which are assumed to be patriotic because they are military. In raising these questions, it must be insisted that it is conscription as a permanent policy which is under discussion, not conscription as a temporary emergency measure, which is an entirely different matter, in its nature and consequences.

I. Conscription and Victory

Conscription for military service is usually regarded as a sort of safeguard against defeat. It is urgently important to ask whether conscription as a permanent policy is not a pretty serious guarantee against victory.

Conscription in the sense in which it is now used is only about 150 years old. It was developed by France in the Napoleonic wars. A century and a half is too short a time to establish perfectly general historic laws; but this century and a half of conscription history raises some questions. It would be interesting to know of a case in which a nation with conscription as a **permanent** policy won a war against a nation in which conscription was an emergency measure, if at all.

France, inventor of modern conscription, was eventually defeated in the Napoleonic wars by Great Britain without it. In the War of 1914-18, Germany, with conscription as a permanent policy, was eventually defeated by Great Britain and the United States, which adopted conscription as a wartime emergency measure, after becoming involved in the war. In 1940, France, with conscription 150 years old, was defeated by Germany with a new conscription system after some 18 years of freedom from conscription. It now looks as if Germany, with conscription four years older, is facing defeat by Great Britain and the United States with conscription adopted, this time, it is true, before actual involvement in the war, but as a temporary measure for the emergency.

The other wars of the 19th century are not evidence either way. They were fought either between nations like France and Prussia, with conscription, or, as in the case of our Civil War, between sides that did not have conscription until involved in the war.

This history is too short to be conclusive, but it does raise questions. Certainly it does not indicate that conscription gives assurance of victory. It suggests rather that conscription goes far to assure defeat—which is certainly not the purpose its proponents in the United States intend.

II. Conscription and Military Efficiency

Prof. E. H. Carr, in his book, **"The Conditions of Peace,"** states that it is impossible to overestimate the military advantage to Germany of the disarmament imposed upon her by the Versailles Treaty. It freed her from old equipment, old methods and old ideas.

It is a fair question whether conscription was not an important cause of the fall of France. In March, 1940, the French army was regarded as the finest in Europe; by July, 1940, it had ceased to exist.

We now know that the French army in 1940 was not equipped for the kind of war that was being fought in 1940. But M. Pierre Cot, French Minister of Aviation, has assured us that French industry, while less powerful than German industry, was supplying the French army with precisely the supplies the French military authorities asked for.

We are told that General de Gaulle developed the theory of the **Blitzkrieg.** The French officers read de Gaulle's book; the German army applied his theories. Why?

Is not part of the answer to be found in the fact that the French army was protected by conscription from constructive criticism?

When every man has to go into the army, very few men can afford to criticize. If they have themselves completed their military service, they have sons or relatives about to undergo it. There is a tendency to soft-pedal criticism that may make for personal unpleasantness.

A military bureaucracy is like every other bureaucracy—it tends to settle down into comfortable routine, unless shaken out of its rest by emergencies. No nation is prepared to admit that it is seeking emergencies; so every nation's policy is, at least ostensibly, directed at preventing any interruption of the repose of its military bureaucracy.

When there is additional insulation against criticism provided by a system of permanent conscription, one would expect a nation in which conscription is long-established to be at a serious disadvantage in military efficiency when war actually occurs.

The fact of France at least suggests that this expectation is well-founded and that conscription as a permanent policy is a permanent and serious threat to military efficiency.

III. Conscription and Preparedness

The detrimental effect of conscription on military efficiency is aggravated by modern technical warfare.

The **Blitzkrieg** makes possible, at least in theory, final victory in the first onset. This means that preparedness for defense must be just as total, and just as ready for instantaneous action, as preparation for attack, **so long as nations seek security in their own armed power.** That involves technical and industrial preparedness, organization of the whole life of the country for war, as well as more directly military preparation.

Can a military bureaucracy successfully direct such preparation when it is protected by conscription from constructive criticism? The fall of France suggests not. The war effort of the United States and Great Britain, by its effectiveness, also suggests not. Those two nations were not hampered by conscription.

Preparedness is not simply amassing armaments and supplies. That is easy; and it can make defeat certain. Beside being abundant, the armaments must be up to date. Mass production of a less up-to-date weapon gives the advantage to the nation starting a little later with more modern designs. Some Britishers claim that the Battle of Britain was really won because the British mass production of airplanes started a little later than the German, so that the British always had an advantage in quality, a slight advantage which turned out to be decisive.

This examination of the inner problem of preparedness raises serious doubts as to the possibility of achieving the sort of preparedness needed for modern war, the delicate balance between quantity and quality, unless the nation's directing forces are entirely free of the hampering traditions and bureaucratic habits inseparable from permanent conscription.

IV. Conscription and the Organization of Peace

It has been said that as long as nations seek security in their own armed forces, they are doomed to total preparation for total war. It is becoming clear that even so, they cannot attain security, because each effort to increase a nation's security thereby decreases the security of some other. Total preparedness merely gives the hope of victory, it does not give the hope of security.

It has been shown that there is great doubt even that meager hope can be realized by a nation maintaining conscription as a permanent policy.

We must now ask whether permanent conscription helps or hinders the attainment of peace and security through world organization.

Here again there is grave reason to suspect the consequences of conscription. We have seen that conscription makes it unlikely that the nation having it can either prepare for war effectively or fight it successfully; but there is reason to fear that the military control of all national life inherent in a system of conscription applied to the economic and industrial preparation for modern war will be definitely unfavorable to the policies and duties of maintaining peace. Mere ineffectiveness in preparing to fight is no guarantee of effectiveness in preparing to share peacefully in an orderly community.

Again the French experience gives an instructive illustration. French military leaders browbeat and humiliated the peace-seeking German republic and tried to appease Hitler when he threatened force. This is the strongest mark of approval a nation can give to reliance on force. The French system, based on conscription, frustrated the efforts to make peace in Europe, while proving itself incapable of waging war successfully.

Conscription as a permanent policy should be seriously questioned, if for no other reason, because it seems to frustrate the effective organization of the world for peace.

V. Conscription and National Morale

It is often claimed that conscription is a means of strengthening national unity. This claim requires careful scrutiny.

Twice, in France in time of peace, the government dealt with railroad strikes by simply mobilizing the strikers. This was possible under conscription; it converted a labor dispute into mutiny against the state. One doubts whether this strengthened the sense of national unity of the workers of France.

Certainly France, just before her fall, after 150 years of conscription, was not a striking example of national unity. The disunity is commonly blamed on political corruption; but one wonders whether permanent conscription did not contribute its full share to the corruption.

In a country with conscription as a permanent policy, every man has to do his military service before he can earn a living. Now political honesty requires, not the discipline imposed by the drill-sergeant, but the self-discipline developed in men who follow their consciences, do what they believe to be right, and take the consequences. Such self-discipline is not encouraged by a system which requires every man to conform during the formative stage of his life. After he is full-grown is late to begin developing the independent conscience which is important for a healthy national life. May it not be that 150 years of conscription played a part in discouraging the development of self-discipline, and so in producing the corruption and disunity so fatal to France?

In summary, conscription requires critical examination before the United States adopts it as a permanent policy. Permanent conscription is not associated with victory; it seems to make for military inefficiency and to make less effective the conscript nation's preparations for war. At the same time it encourages reliance on armed force and discourages the sort of world organization that is necessary for the prevention of war and the maintenance of peace.

Beside making the nation long subject to it unable either to prepare effectively for war or to carry out a policy of peace, conscription is at least suspected of weakening national unity and undermining the self-discipline on which political honesty depends.

It is of the greatest importance for the welfare and safety of the United States that these doubts be raised now, before a radical departure from traditional American policy is made, and before our country is plunged unexpectedly into the evil consequences that seem to result from a permanent policy of conscription for military service.

CHARLES S. TIPPETTS

Head Master, The Mercersburg Academy

I sincerely hope that Congress will not, at the present time, pass a law making military training compulsory after the war. If there was real danger of another war within five or ten years, most of us would agree it should be done, but we shall have millions of trained men and many thousands of trained officers for any emergency that arises in the near future.

Charles S. Tippetts

If this country is to take the leadership in establishing an organization to preserve peace and to prevent another war, its policy with regard to military training should be considered carefully. Other nations would become suspicious, would question our motives at once, and feel that we might be the next nation planning to embark on a career of conquest. We know that we have no such ambitions in mind, but they would feel we must be planning something.

Endanger Peace Organization

It is, therefore, my opinion that adoption of Post-War Compulsory Military training would gravely endanger the establishment of any world organization to prevent future wars.

Furthermore, I am not convinced of the value of such training when there is no immediate threat of war. We all remember the problems of morale in the Army camps between the adoption of Selective Service and the Declaration of War. Any benefits to be gained can be obtained in other ways.

Finally, the Army has stated that it could prepare Infantry Soldiers for combat in 13 weeks. In fact, it sent many men right into the front lines, as replacements, after only 13 weeks of training. Later, this was changed to 17 weeks. In view of this policy, what becomes of the argument that a whole year is necessary in peace time?

FABIAN F. LEVY

Baltimore, Md.

In reading the comments on compulsory military training, I am impressed with the fact that virtually none of them come from men who have had experience in military service. It seems to me that such persons must speak with a peculiar lack of knowledge of the subject. Based on my own experience in the first World War, I am strongly in favor of a period of military training for every young man, and convinced that most of those opposing such a program are opposed to any sort of disciplining. It is hard to imagine anything that would develop opposition to war more than a year of service in the ranks, and I am convinced that those who had this experience would be the last ones to urge the country into an unprovoked war.

Personal Experience

In the last war I put on a uniform on Oct. 21, 1917, went aboard a transport on Nov. 24, and was at the front (in a non-combatant capacity, it is true) on Jan. 14, 1918, just 11 weeks after putting on a uniform. As a matter of fact, many men in combat units, who entered the service in the spring of 1918, were in active combat action within six weeks of reporting for induction. I leave to anyone's imagination how well-fitted they were for the job. Few people realize that only the fact that about one million men were in "compulsory" military service when the war began has enabled us to progress the way we have in this war.

CMTC and ROTC were both good, in so far as they went, and I saw to it that my son took advantage of both of these facilities to be properly prepared in the event of the emergency that was not very apparent when he went to college in 1930. Although ROTC had many attractive features and required relatively little from the student to whom it granted a reserve commission, it was relatively limited in scope, and apparently did not attract as many as would have been expected.

Need Greater Now

The need for adequate training has been increased by the greater mechanization of war, and that a year is none too long a period to properly train a man is shown by the long periods for which men are held in training at the present time. It may be that in some future development other nations will not win for us the time to prepare, and should such a condition arise the need to raise a large force quickly would demonstrate the value of an adequately trained reserve of enlisted men, as well as officers.

N. S. B. GRAS

Graduate School of Business Administration, Harvard University

If compulsory military training must come, I should most sincerely hope that it might be kept out of our colleges. Intellectual effort now has enough competition in fraternities and sororities. In practice, the military discipline would be largely unforunate.

Compulsory national training depends on future world politics. If we could be more rational and a little less emotional in our international attitudes we might not

(Continued on page 281)

The American Dollar and The Bretton Woods Plan

(Continued from page 258)

weight of silver, while under the gold standard from 1879 to the First World War, it was a fixed weight of gold. During all the years of bimetallism the pure silver content of the standard silver dollar was never changed and the pure gold content of the gold dollar was changed less than a total of 4 per cent—covering two inconsequential alterations made to adjust a defective bimetallic ratio. *The gold content of our dollar was never changed an iota during all the years of our gold-coin standard.*

The American standard from 1879 to 1914 was a true gold standard, operating in a world in which most of the leading nations, and a large and continually increasing number of the lesser ones, were using successfully the same standard, "the international gold standard." This was a highly automatic standard, in which the respective money units of the different countries carried their full money value in their gold content. A $10 gold piece contained $10 worth of gold under this standard, moreover, gold moved freely in both national and international trade, and gold bullion could be converted into coin at the mint under the free coinage privilege and gold coins could be readily melted down into gold bullion without appreciable expense. All other kinds of money, government notes, bank notes and token coins were kept at par with gold and were usually readily convertible into gold on demand. There was in those days almost no monetary management by governments, and very little by central banks, except that of occasional small changes in central bank discount rates. Our present much-used word "monetary authority" was unknown. There was a popular proverb: "We have gold because we cannot trust governments."

This international gold standard, though far from perfect, worked reasonably well. The few countries still on the silver standard were trying to get over to gold, and the few that had lapsed from the gold standard to inconvertible managed-paper-money standards were striving to get back to gold. Everywhere it was taken for granted that the international gold standard would be the world's monetary standard for a long future, and that the real problem was not one of finding a substitute for the gold standard but one of improving that standard by international cooperation.

About the only criticism of the international gold standard one heard in those days was that gold was not as stable in value as an ideal standard should be. It had, however, been more stable than any other metal for many years, and had been much more stable than any of the many managed-paper-money units with which a number of countries had been recently struggling.

Concerning the stability of gold in those pre-war days, John Maynard Keynes, who is today the world's most vigorous critic of the gold standard, said, in 1923 referring to England's eighty-eight years' experience with the gold standard ending in 1914, ". . . the remarkable feature of this long period was the relative *stability* of the price level." Then, after citing figures proving this stability, he added: "No wonder that we came to believe in the stability of money contracts over a long period. The metal *gold* might not possess all the theoretical advantages of an artificially regulated standard, but it could not be tampered with and had proved reliable in practice."

The International Gold Standard After First World War

Then in 1914, the First World War struck us. At its outbreak there were fifty-nine countries on the gold standard. Under the stress of the war, the gold standard was practically driven off the map within the brief period of three years. But, be it remembered, during these same years the silver standard also broke down in the few countries that still retained it, and all countries resorting to paper-money standards suffered serious inflation. In a few countries this inflation carried up prices only a few hundred per cent but in some other countries it carried them to astronomical heights.

After the war there was everywhere a popular longing to get back to a "solid" monetary standard, to something in which the people had confidence; and in the distracted world of that time there was no other commodity in which they had so much confidence as gold. Then as now Charles Dickens' phrase "as good as gold," meant the best, the world over.

Accordingly in every part of the world plans were discussed and measures taken looking toward a return to the international gold standard. It was a striking fact that in those early post-war years there was almost no public agitation for any other kind of monetary standard than gold. The International Financial Conference held at Brussels in 1920, at which all the important nations of the world — thirty-nine in number — were represented, resolved unanimously: "It is highly desirable that the countries which have lapsed from an effective gold standard should return thereto. . ." Two years later, the International Economic Conference held at Genoa declared: "It is desirable that all European currencies should be based upon a common standard. . . . Gold is the only common standard which all European countries could at present agree to adopt."

With the removal of its gold-export embargo in June 1919, the United States became the first country to return to the gold standard. During the next ten years most other countries of the world came back to gold.

The new gold-standard currencies however were required to function in a war-weakened world, whose finances were in bad shape and whose economic systems had been grossly distorted by the war.

Furthermore, the type of gold standard introduced was very different from that which had prevailed before the war. In most countries, although not in the United States at that time, a gold-bullion or gold-exchange standard superseded the old gold-coin standard, and there was no gold coin in circulation. The gold reserves of the new gold-standard systems were frequently inadequate. And, most significant of all, the time-tested old type of international gold-coin standard, with its fundamentally automatic system of operation, was replaced by a new and highly managed nationalistic type. Government management of economic affairs which had reached new heights during the war persisted after the war was over. This was particularly true in the field of money. Directly and through central banks, which they increasingly controlled, governments managed their currencies on a large scale. Central banks no longer depended for their monetary and credit control chiefly upon the modest manipulation of discount rates and occasional minor operations in the open market, but resorted extensively to large open market operations, the exercise of foreign exchange controls, and the manipulation of reserve requirements. Some of this management was scientific and useful. Much was political and harmful. Natural checks and balances of economic forces were all too often interfered with by ignorant meddlers. Normal economic forces were side-tracked before they were given a chance to correct evils. It was not so much a question of management or no management as one of too much management and too many incompetent, political managers.

Slowly then, during the latter 20's, most of the world struggled back to a gold standard, but it was a very different kind of gold standard than the one prevailing before the war.

England returned to gold in the Summer of 1925 but did not complete her legislation for this return until July 1928. Very unwisely she deflated to her pre-war gold parity. Italy and Poland returned in 1927, France in 1928 and Sweden in 1930. The United States was the only important country having a gold standard throughout the 20's. Obviously, therefore, there was not very much international gold standard in the world during that decade. William Adams Brown, in the most intensive study of the twentieth century gold standard that has yet been made, says:† "In the history of the international gold standard 1928-29 is a landmark because it was the only year during which that standard was almost universally in effect in countries not traditionally attached to silver." But, these were the years in which the world economic crisis began in Australia, Germany and Belgium. It struck the United States in the stock market crash of October 1929, and soon led to the breakdown of all the recently established gold-standard systems of the world, those of Argentine, Austria, and Uruguay breaking as early as December, 1929.

The United States gave up its gold-coin standard early in 1933 and adopted in January 1934 a new, weak, hybrid type of inconvertible, gold-bullion standard, after a debasement of 41 per cent in the century-old gold content of the American dollar. It still retains this standard. Since the world crisis of the early 30's no other important country has returned to gold, no other is today on the gold standard.

The world, therefore, has had very little experience with a true international gold standard since 1914, and that little experience has been in a very unstable period, between the two greatest wars of history. The failure of *such* a gold standard at *such* a time is not a fair test of the merits of a true international gold standard, a standard with a previous long record of successful operation in many countries. It is because, however, of such an alleged failure, that we have before us today the Bretton Woods Stabilization Plan.

The Bretton Woods Stabilization Plan

What would the adoption of that plan do to the American dollar, the dollar in which is payable all of our bonds, public and corporate, all mortgages, all life insurance, all pensions, all bank deposits and all wages?

The Bretton Woods Plan provides for a collection of national managed-paper-money standards. While each country would have its own monetary unit, as in the past, these units would be tied together by mutual agreement, and be subject to controls administered by an international Board of Governors, one Governor for each member state, with a committee of twelve or more executive directors and a managing director. Each member state is given 250 votes plus one additional vote for each $100,000 share of stock owned, an arrangement which is especially favorable to the smaller states. With a few exceptions, all decisions are to be made by a majority of the votes cast. For the 44 members of the Bretton Woods Conference the initial stabilization fund was fixed at $8.8 billion. A member's required contribution is called its quota. The largest three quotas which combined constitute about 60 per cent of the Fund are those of the United States $2,750,000,000, the United Kingdom $1,300,000,000 and Russia $1,200,000,000. From these high figures quotas run as low as $500,000 for some of the smaller states. Only a very minor part of each quota is required to be paid in gold. The Fund is essentially a loan fund. The great majority of the states represented at Bretton Woods are small states in terms of population and business. Twenty-one of the 44 were in default when the war broke out in 1939 on dollar loans made to them by the United States.

The par value of each member state's currency is to be expressed in gold, and official computations relating to the currencies of members are to be on the basis of par values. Limits are prescribed beyond which the price of gold and exchange rates are not normally permitted to go.

Before considering the provisions of the Bretton Woods Plan as regards the values of the different national currencies, it should be noted that nearly every general provision is modified and whittled away by so many exceptions that it looses much of its force and most of its clarity in a maze of qualifications. It would be futile in a short after-dinner talk to cite and try to explain these exceptions. This is one of the reasons why there is so much difference of opinion in high places in the United States and abroad as to the meaning of the Plan, a good illustration being the question to be considered later, as to whether or not the Plan is a gold-standard plan. Why for example Lord Keynes can say that it is "the exact opposite" of the gold standard, and Sir John Anderson, British Chancellor of the Exchequer can declare, "I believe there is in fact no foundation for the view that this scheme in any way involves a return to the gold standard," while the eminent British economist, Paul Enzig, can say the Plan "is a most vicious form of gold standard, far worse than the one this country [England] was fortunate enough to abandon in 1931," and while our American co-author of the Plan, Harry D. White, while criticising the gold standard in no uncertain terms, and expressing great doubt as to the possibility of maintaining a gold standard, can make the surprising statement: "Those countries which elect, as does the United States, to adhere to the gold standard can, of course, do so without in any way complicating the operations of the Fund." With reference to this statement may I say by way of digression that it would be a strange sort of international monetary stabilization if a few countries should retain a rigid gold standard while all the other countries were on highly flexible paper-money standards.

At the proper time the Fund is to request each member to communicate to it the par value it desires for its currency, based on the rate of exchange prevailing at a designated date. This is to become the real par value unless within a specified time the member desires a change, or unless the Fund notifies the member that in its judgment the par value which the member has requested "cannot be maintained without causing recourse to the Fund on the part of that member, or others on a scale prejudicial to the Fund and to members." If any country persists in refusing to accept for its monetary unit the gold value which the Fund wishes to prescribe for it, its only alternative is to get out.

The par values of member currencies when once adopted, though administratively flexible, are not expected to be permanent. In fact frequent changes of par value seem to be contemplated as an important instrument of monetary policy. Such changes are divided into two classes: (1) Changes in the par value of the monetary unit of individual members and (2) Uniform changes by all members. Let us consider these separately.

A member is permitted to change the par value of its currency only "after consultation with the Fund" and in order "to correct a fundamental disequilibrium." It is provided, however, that, if the proposed change, together with all previous changes, does not exceed ten per cent of the initial par value, "the Fund shall raise no objection." If it goes beyond ten per cent, but not in excess of 20 per cent, the Fund may either concur or object, but must declare its attitude within 72 hours, and if it goes beyond 20 per cent, the Fund may either concur or object but is allowed more time to make its decision. The liberality of these provisions is insured by the requirement that the Fund must agree to a proposed change without any stated limits if it is "satisfied that the change is necessary to correct a fundamental disequilibrium," and the Fund cannot object to a proposed change on the ground that it disapproves of "the domestic, social or political policies" for the carying out of which the member is proposing the change.

The penalty for making an unauthorized change in the par value of one's currency is to render the guilty member ineligible to use the resources of the Fund "unless the Fund otherwise determines," and, if the member persists in its noncompliance for an unreasonable period, it is required to withdraw from membership in the Fund.

These provisions on their face would seem to open the door very wide to a member state wishing to debase its monetary unit. The variations readily permitted are large. The condition "necessary to correct a fundamental disequilibrium" can mean all things to all men. Can any one conceive of a situation in which a nation desiring to change the par value of its monetary unit would not be doing so, or at least claiming to be doing so, largely by reason of its "domestic, social or political policies"? Could the Fund's authorities in making their own decisions help from being influenced by their judgment concerning the wisdom of those domestic policies? Nations do not ordinarily deliberately plan a policy of inflation and subsequent debasement. They slide into currency debasement down a political toboggan, and they usually receive their initial push, as well as other pushes on the way down, by unsound domestic, social and political policies, involving the exploitation of their currency system for fiscal purposes.

In addition to the provisions permitting changes in the par values of the monetary unit of individual members, there is a provision to enable all members to make uniform changes at one and the same time. Specifically the provision is that the Fund by a majority of the total voting power may make uniform proportionate changes in the par value of the currencies of all members, provided that each such change is approved by every member which has 10 per cent or more of the total quota, and provided, further, that the par value of a member's currency shall not be changed if the member objects within 72 hours of the Fund's action.

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†Vol. II, p. 773.

Since nearly all the members will be debtor nations, and since public opinion is usually strongly resistant to deflation, this provision, realistically speaking, is one to make possible by political action world-wide inflation. And, more than that, it will make such world-wide inflation dangerously easy. The action requires only a majority of the total voting power, if ther is an affirmative vote of every member which has 10 per cent or more of the total quotas. Only three members have that much, namly, the United States, the United Kingdom and Russia. Of these only the United States will be for a long time to come, a creditor nation. Suppose, however, that we as a creditor should not want a world-wide monetary debasement at a time when most of the debtor nations should, including the United Kingdom and Russia, how long could we successfully oppose it? Moreover, would it not be likely, before any vote on this subject should be called for, that a large number of individual nations would have individually reduced the pars of their respective currencies, and by doing so would have placed those which had not done so in a strongly disadvantageous position as regards the payment of international debts and competition for export trade? Internationally the poorer currencies would drive out the better ones in a manner analagous to Gresham's law. It would be a case of the survival of the unfittest. Instead of giving the world international monetary stabilization which is the declared object of the Plan it would give it precisely the opposite.

Do we in America want to make the value of our dollar so easy to alter? Even if we do, are we willing to place the power to alter it so largely in foreign hands, the hands of our debtors? If the gold standard seems too rigid—as some of its critics maintain—would not a plan of this kind give the world nationalistic monetary fluidity of flood proportions?

Is the Bretton Woods Plan a Gold-Standard Plan?

The stabilization plan of the experts submitted to the Bretton Woods Conference was at first frequently interpreted in the United States to be a gold-standard plan. The values of the respective monetary units were expressed in gold, so likewise were the quotas whose gold values were supposed to be maintained and a minor part of which were payable in gold. On the other hand, the respective monetary units were variable administratively, and frequent changes in their definitive gold pars were apparently contemplated as an important instrument of monetary policy. Such a concept is clearly contradictory to the principles and practices of the historic gold standard, under which a change in the gold content of the unit of value is looked upon as a breakdown of the gold standard. Be it remembered that there was not a single change in the gold content of the pound sterling throughout nearly a century of Britain's gold-coin standard, and not one in that of our own American gold dollar, from the beginning of the gold-coin standard in 1879 to its demise 56 years later.

John Maynard Keynes, whose ideas largely prevailed in the development and final formulation of the Bretton Woods Stabilization Plan, said in a speech in the House of Lords, May 23, 1944: "If I have any authority to pronounce on what is and what is not the essence and meaning of the gold standard, I should say that the plan is the exact opposite of it." And then, after referring to his long-time opposition to the gold standard, Keynes said: "Was it not I, when many of today's iconoclasts were still worshippers of the Calf, who wrote that 'Gold is a barbarous relic?'"

Yes, the Bretton Woods Plan is, as Keynes says, the exact opposite of the gold standard. It is a collection of managed-paper-money standards which, in practice, would be largely controlled by a politically dominated international board. This board would be controlled by debtor nations who, most of the time, would believe their interests to be in the direction of monetary debasement and of extensive borrowing from the Fund. The United States would provide the greater part of the gold funds available for borrowing, and would find itself under heavy international pressure, both political and economic, continually to debase the American dollar.

In my judgment the Bretton Woods Stabilization Plan, for this reason if for no others—and there are others—should be rejected by the American Congress.

Bretton Woods and International Cooperation for World Peace

The Administration of late has been saying that the Bretton Woods Plan is an integral part of a comprehensive, unified, one-piece program for international reconstruction—a program planned by the United States and other peace-loving nations to improve economic conditions generally throughout the world. It covers Dumbarton Oaks proposals, lend-lease, tariff reduction, cartels, food and agricultural organizations, etc. To this effect, Secretary Morganthau recently called the Bretton Woods Plan "the historical pattern of international economic cooperation that world peace demands. . . . The fate of the Treaty of Versailles," he said, "adds to the significance of the course we adopt on the Bretton Woods proposals. . . . We must always keep in mind that other nations are anxiously asking whether the United States has the desire and ability to cooperate effectively in establishing world peace. If we fail to ratify the Bretton Woods Agreements, they will be convinced that the American people either do not desire to cooperate or that they do not know how to achieve cooperation." If we in the United States fail to approve this particular plan of world monetary and credit reform we will, we are told, pull down on the heads of all of us the whole recently visioned temple of international peace and comity.

This attitude on the part of the Administration tends to make the opponents of the Bretton Woods Plan appear to be selfish isolationists, which most of them are not. In fact, nearly all of these opponents desire fundamentally the same end as do the protagonists of Bretton Woods, namely, a sound and stable international monetary system, efficient production, freedom of trade, and peace and comity among nations. It is precisely because so many of us believe that the Bretton Woods Plan would be in conflict with these worthy objects, as that Plan would actually work out in the kind of a world we shall be living in, that we oppose the Plan.

There is an erroneous implication in the recent statement of Secretary Morgenthau that ". . . The Bretton Woods Conference had to succeed because there is no other method of dealing with international monetary and financial problems than through international cooperation." Of course, there is no other satisfactory method for dealing with these great international problems than by international cooperation, but there are many other methods of monetary and financial cooperation than the Bretton Woods Plan.

Realistically speaking, and for the reasons previously stated, the trend of the Bretton Woods system would, in fact, be toward multiple paper-money standards and monetary nationalism. The only prospect today for a truly international standard is gold, and the only realistic monetary internationalists are the advocates of an international gold standard.

What then should be done?

An International Gold Standard Plan Recommended

My recommendations, very briefly summarized, would be the ones I gave last April, in testimony before the Committee on Foreign Affairs of the House of Representatives. They are:

I The first requirement of any post-war monetary standard that can be wisely adopted internationally and maintained for any considerable time is that it shall have the confidence of the people. To this end it should be simple and be a development out of a long, common experience. This requirement alone should put the Bretton Woods Stabilization Plan out of the running. That Plan is so complicated that even very few economists pretend to understand it, and among those few thare is much disagreement. There is much wisdom in the old companion proverbs: "The greatest truths are the simplest," and "The people distrust what they do not understand."

II My second point was well stated in the 1931 Report of the MacMillan Committee of 14 eminent British economists and financiers including John Maynard Keynes. It said: "There is, perhaps, no more important object in the field of human technique than that the world as a whole should achieve a sound and scientific monetary system. But there can be little or no hope of progress at an early date for the monetary system of the world as a whole except as a result of a process of evolution starting from the historic gold standard."

III No sound currency can long exist anywhere unless it rests firmly upon the foundations of a balanced budget and otherwise sane fiscal policies. The financial structure must be built up from the bottom, not down from the top. The Report of the Genoa International Economic Conference a quarter of a century ago, well said:

> So long as there is a deficiency in the annual budget of the State which is met by the creation of fiduciary money or bank credits, no currency reform is possible. . . . The balancing of the budget will go far to remedy an adverse balance of external payment, by reducing internal consumption. But it is recognized that in the case of some countries the adverse balance is such as to render the attainment of equilibrium in the budget difficult without the assistance in addition of an external loan.

IV The monetary unit should be established in each country after a conference with other countries, but without any compulsion from them whatever. The determination of the size of a nation's monetary unit is affected with such a great public interest and is so highly prized as a prerogative of sovereignty that it is impraccticable to subject it to outside interference. If compulsory interference from outside is undertaken it is not likely to be effective.

V While there should be some management of the gold standard, both international and national, this management should be kept as small as possible and should be superimposed upo na system that is fundamentally automatic in its operation.

VI There should be a high degree of freedom in the international movement of goods and services. The gold standard can function over high tariff barriers, as it has many times in the past, but high tariff barriers are obstacles to international trade and to the smooth and orderly functioning of any monetary standard.

VII The principal monetary authority in each country should be a central bank.

VIII An international gold standard will call for an international bank with which the central banks of all gold-standard countries should be affiliated and to which they should contribute the necessary capital. The functions of this bank should be exclusively of a monetary and banking character. It should be a central bank of central banks. The bank should not make long-time loans to its member banks nor otherwise enter the field of fiscal operations.

IX The United States Government should promptly declare its intention to rehabilitate its own gold standard after the war, and should, in due time, call an international monetary conference of all other countries desiring to return to a gold basis, with the object of formulating plans for the restoration of the international gold standard and for international cooperation to make that standard a better standard.

I want to close this address with a question pertinent for a democracy. How would the American people vote if they were fairly presented with the question: What kind of an American dollar would you prefer, for the payment of your wages, your defense bonds, your life insurance and your bank deposits, and for the carrying on of your business, a gold-standard dollar or a managed-paper-money-standard dollar of the Bretton Woods type, largely under the control of a governmentally appointed international board of managers?

Tomorrow's Markets Walter Whyte Says—

(Continued from page 262)

you know; or have you forgotten.

* * *

This week is tax week. According to brokers who do a large business with the public, there is a large amount of liquidation to get funds with which to pay the annual bite. But on top of this public selling, which is comparatively unimportant, there is also selling from the so-called "inside" groups. This, too, may be a tax reflection. For profits cannot be grabbed in toto unless the stocks which furnished them are held for six months and a day. The assumption is that some of the buyers of six months ago are the sellers of today.

* * *

This tax selling brings me to another subject. Time and again I have been asked what to buy and sell. Frequently this question is accompanied by the caution ". . . . remember my taxes." At this I draw the line. To a stock market technician the question of taxes cannot figure into buying and selling. It is hard enough to gauge market trends and make decisions without dragging in tax problems at the same time. I am convinced that just as stocks are a buy under certain conditions, so are they a sale under others. If taxes have to be considered they had better be accounted for after, and not before, the sale.

* * *

For the investor the problem of taxes is something else. But this column is interested primarily in the trader.

* * *

Last week you received a list of stocks which showed some get-up-and-go about them. Up to this writing none of the stocks gave any additional evidence of up-mobility. On the other hand, neither did they go below their stop levels. So the advice continues in effect that if holders can't watch the market every minute of the day, they should have stops do their watching for them.

* * *

Of the stocks in the list, American Smelters broke its stop on Monday's sell-off. You bought Smelters at 39½. Monday the stop of 42 was broken by a quarter of a point, stock closed that day at 42¼. Your profit was about 2 points. It isn't much to brag about but it's better than a loss. Stops in G. L. Martin and Timken Detroit Axle remain unchanged. The former, bought at 21½, carries a stop of 22. Latter bought at 33½, should be stopped at 33½.

* * *

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

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Inflation and Post-War Reconversion Problems

(Continued from first page)

Speaking of inflation reminds me of automobile tires. Such tires have to be inflated to about 30 pounds pressure in order to give satisfactory performance. If the inflation of the tires greatly exceeds some such figure as that, the car not only rides badly, but also "blow-outs" are likely to occur, although much depends upon the reserve strength of the tires themselves—the number of plies, the tread, and the side walls.

One of the troubles with the American business car today, is that it is running on excessively inflated financial tires. At the very time that we are inflating the credit currency far beyond the usual pressure, we are weakening the tires of bank credit, by reducing the reserves of strength to resist financial blow-outs.

This figure of speech, I hope, will help you to grasp what I mean when I say that one of the clearest indications of the existence of inflation is the sharp decline in the Federal Reserve ratio. This now indicates an unusually low proportion of reserves to note and deposit liabilities—the lowest since the bank holiday of 1933.

And perhaps the most significant aspect of this, is the current proposal to deal with the low Federal Reserve ratio, by reducing the reserve requirements. There is no proposal to deal with the situation by reducing the note and deposit liabilities, which are the air in the tires.

No! The existence of inflation is tacitly admitted by proposing instead to make it unnecessary to maintain the usual reserves, so that the tires can more easily expand. In this way, the condition of the reserve ratio will be concealed.

To change the simile, it is much as if we were to say that we want a tank to remain 50 per cent full of water, but since we have not enough water to keep it that full, we will reduce the size of the tank. Thus when our water supply is reduced 50 per cent we will decrease the size of the tank 50 per cent, which will enable us still to say that the tank is half full. Eventually, we might reduce the size of the tank to that of a mere thimble, and a few drops would keep the fullness at 50 per cent! Just so, by reducing the required reserves, we may keep the "reserve ratio at any percentage" desired!

One of the surest proofs that inflation has existed, and will continue to grow, is the way in which its existence is denied by those in authority. Such things are doubly dangerous when they are not recognized. For example, the Federal Reserve authorities recently issued a warning that a boom in farm lands threatens us. It points out that land values have risen steeply during the present war, just as in World War I.

But in this case, the Reserve Board argues that the rise in the price is not inflationary, because farm-mortgage loans have not risen as they did in the earlier period. In other words, the Board argues that it is not the rise in the price, but the rise in bank loans, that makes the inflation.

In all other cases that I know of, however, the government authorities insist that inflation consists in high prices, and go on to argue that since the price indexes do not show as much of a rise as in the earlier war we therefore do not have much inflatilon. When it is convenient to make the test of inflation consist in high prices, they do so. When it is not convenient, they make it depend upon bank credit.

Must Fight "Further Inflation"

It is my point that there is no use in "fighting" inflation. What we should fight is further inflation. We should stop the pump that is building up the pressure in our tires, or strengthen the sidewalls, or both. This idea of "holding the line" and fighting something that is supposed to be a mere "threat," is just a red herring drawn across the trail of the great and growing inflation which is already in our midst.

The sad part of the matter is that the talk distracts our attention from the real source of inflation, and from the problem of dealing with the actualities of existing inflation. It enables the inflaters to keep on inflating—inflating the public debt and inflating the non-productive spending and waste, which find expression in our vast and expanding deposit currency.

Two Reconversion Techniques

If we want to deal with reconversion in a realistic manner we will have to do one of two things: either we must inflate the existing inflation and go through an early depression; or else we must adjust ourselves to the existing inflation by allowing rising prices to express the depreciation in our currency, thus going through a boom, and taking a chance on a subsequent deflation.

It is my position that commodity prices will rise during the period of reconversion. I believe that they should rise. Many reasons might be given, but I will mention only one or two.

(1) My first reason is that there is too much idle currency to allow prices and the volume of exchanges to be held down to any preceding level, say that of 1942. Bank deposits have been continuously expanding and are simply enormous. Of course they are at record-breaking levels. These deposits belong largely to individuals and corporations. What is to become of them? If they are ever used and turn over at any normal rate, a great rise in prices will be an inevitable result.

At the same time, the "money in circulation" has increased during the past year by nearly 5 billion dollars to the record-breaking total of well over 25 billion dollars. In 1929 there were less than 5 billion dollars in circulation.

The significance of all this increase in so-called liquid assets or savings is that the time is going to come when the people, and notably the laborers, will insist on having the use of their funds. What has been going on is a sort of shell game in which now the individual sees his money, and now he doesn't.

The government spends vast sums which go out, let us say, in the form of payrolls. Then it proceeds to take these vast sums back, either through taxes or through war-loan drives. Then it spends again, and takes the money back again, so that most of us really do not get much for our increased money incomes except a lot of government.

Significance of OPA Token Cancellation

In this connection, I am reminded to the recent performance of the OPA in cancelling the red and blue food tokens. The reason given by Mr. Bowles is that too many of these tokens were issued. There was not enough food to allow the holders of the tokens to cash them in.

Isn't that exactly the same situation that we find in our currency? More green dollars have been issued than there are things to buy with them. So, in a sense, the government cancels these dollars, or sterilizes them—call it what you will. It rations us; it forces us to save; and it exacts high taxes—all under the guise of fighting inflation.

This sort of thing can go on only as long as the war lasts. It relies to a considerable extent upon patriotism, and other motives that attend the conduct of a great war. With the coming of peace, people will demand a right to spend their money.

They will cause rising prices and business expansion in due course. Nobody is going to let some Chester Bowles at Washington tell him, "We made a mistake in issuing all these dollars. Now your liquid savings in the form of dollars — blue, red or green—are cancelled."

Increasing Output No Answer

Nor can we fool ourselves by listening to those who argue that inflation can be offset by increasing production, while at the same time prices are held down. Production in a free country—production in America—cannot be increased sufficiently to prevent price advances, unless private enterprisers have strong profit motives. Such motives can be applied only when markets are free, and prices are allowed to rise so as to furnish the stimulus to private enterprise.

If we are to have a rapid reconversion which will bring the production of buildings, automobiles, electrical refrigerators, silk stockings, and other things which the American people have been doing without, there must be a profit motive. But there will be no profit motive unless there is a more favorable attitude of government toward business and toward the profit system, and unless profits are allowed to rise.

At best, it will take years to catch up with the shortages of buildings and automobiles.

Dollar Depreciation

(a) A second great reason why I am sure prices will rise further, is that the standard dollar has depreciated. To be sure, the gold dollar is rather mythical today, but its theoretical content has been reduced from 23.22 grains to 13.7 grains. Nor is the end yet in sight, for the President retains power to reduce the content further.

More than that, the depreciation of the dollar with relation to gold is clearly indicated by the price of gold in Oriental centers as compared with the Treasury buying price. The Treasury keeps on paying $33 an ounce. In Bombay, however, they have been quoting prices ranging from $50 an ounce to $70 an ounce. Now I have never heard that the traders in Bombay are foolish.

I am sure that we are overvaluing the paper dollar in terms of gold, or in other words that our paper dollars are in for considerable depreciation in purchasing power eventually. I think that the fact that gold continues to flow out of the country is strong confirmation of this opinion, and shows that shrewd foreign traders would now — contrary to their prewar preference — rather have gold than paper dollars.

Trend to Gold Standard

At this point, I should state that, in my judgment as a trained observer, there is now developing in this country a strong trend toward a return to the gold standard. I think we can count upon such a return as being inevitable before the period of post-war reconversion is over. I know of no more significant event in this connection than the recent pronouncement of the National Association of Manufacturers.

This organization has hitherto refrained from taking a public position on the gold standard, because of some division among its members. At last, it has been driven by the force of circumstances to come out unqualifiedly for the gold standard. You will also find that all of our leading bankers, and notably Winthrop Aldrich of the Chase National, are in favor of the same thing.

My reason for making this point is merely this: There is no surer way to see to it that prices will rise, than to return to the gold standard. This is true because the gold dollar has been devalued, but prices measured in paper dollars have not yet reflected the full amount of that devaluation. They will necessarily do so when the paper dollar is worth whatever quantity of gold will finally constitute the gold dollar.

Significant Shortages

Perhaps I should mention one non-monetary reason why I am sure that prices will rise further, and should do so, in order to speed the reconversion. This is the fact that the shortages which now face us are much more significant than the surpluses. Our great problem in the reconversion period will not be to dispose of the surpluses of war goods.

It will be to fill the great unsatisfied demand for buildings, automobiles, and things of that sort. There will even be great shortages of many things such as staple cotton goods. Of course, there will be a period such as always follows great wars, in which surpluses of some commodities (say copper) will exist, and will cause a brief spell of irregularity and uncertainty. But the main thing is that for five or six years we have been tightening our belts.

Millions upon millions of marriages have occurred, and perhaps billions of babies will have been born. These must be provided for in the American way, and the only way to do that is to give private enterprise the go-ahead.

Thus I have selected from many reasons why the already existing inflation will bring higher prices in the reconversion period, the three which seem most important:

1. Too much idle currency
2. The depreciation of the dollar
3. The prevalence of shortages

The only alternative to the conditions which I have thus indicated is now impossible. This only alternative is that of a rigid collectivist economy in which there would be a managed currency, and complete production control and rationing by the government. That, I say, is now impossible. During the past decade, we have played with the idea, but have seen enough of the bad results of experimentation of this sort to have become fed up with it. I think we have seen too much of the Russian experiment to try one like it.

In this connection, I would emphasize the fact that the war reverses recently suffered by the so-called Allies have been helpful in clinching the point. Unbelievable hardship and suffering will lie ahead. Resentment of the growing list of blunders made by the leaders will also grow. And the attitude of Russia and the Communists toward our ideals for a world peace will not lie easy in the typical American's mind.

Blunders That Can't Be "Laughed Off"

I may add that I think the OPA to an increasing extent is "getting in bad" with the people. We are not going to allow Mr. Bowles to laugh off the little mistake which was made in the balancing of food tokens against supplies. We are not going to forget that in his recent utterance about the "large profits" made by producers of textiles and clothing he is virtually returning to his often-denied policy of fixing prices for the purpose of fixing profits.

The plain fact is that this war administration has a bear by the tail. First there were 10 million unemployed. Then war came, and there are now 10 million in the army. Where do you think these 10 million are going to show up next? The only place that I want to see them is in the factories, stores, and farms operated by free private American enterprisers. Eventually they must earn a living, and the only way to do that in the long run is through productive employment.

In short, gentlemen, the only big problem of reconversion that I can see, is the problem of reconverting our government.

The real reconversion problem is in large part the problem of converting the government to favor individual initiative and the incentive system. At the beginning of the war, the Administration was soon forced to appeal to business for help, and Knudsen and Nelson were called in.

(This was when the African campaign, and the General Grant tanks, went sour.) Then things went better. The General Sherman tanks and good anti-tank guns were developed, and the Administration fell back into politics again. Nelson and Wilson followed Knudsen out! Now the German counter-offensive, equipped with some superior implements of war, is forcing the politicians and brass hats in Washington again to recognize the importance of business.

So I think that our main problem is to restore efficient democracy both to the Federal government and to the economic life of America.

This will require, first, a much more equal treatment of labor and business organizations. Organized labor, too, will have to be reconverted, and accept responsibilities that are proportionate to its power. As the laborers realize the untrustworthiness of the shifting sands of politics, and see the danger of regimentation lurking in the guise of the government as an employer under the slogan "full employment." I hope that they will be among the first to concede the point.

Then there is great need of reconverting our csurrency and banking system to a sound basis for credit and investment. It is becoming obvious that there must be some limit to bank credit and to bank note issues. But the only known way to provide a definite and generally recognized limit to these things, is through the establishment and firm maintenance of reserves in the shape of some suitable standard material which shall determine the value of the money unit.

Any other scheme of "managed currency" or "money of account" must (and always does) rely upon autocratic control of a managed economy. There is no limit to debt, bank deposits, or currency issues, as long as a nation in these matters accepts the arbitrary will of a sovereign or political pressure groups.

Non-Partisan Commissioner's Need

But back of all these things, lies the simple fact that democracy should begin at home—in government. Most important as a beginning, is that reconversion shall begin with freeing our administrative agencies from domination by the executive. I urge you businessmen to stand for expert, nonpartisan administrative commissions, such as the Interstate Commerce Commission, the Federal Trade Commission, and the Securities and Exchange Commission could be if we would but free them from politics, and supplement them by an independent judiciary. Only by some such system of reasonable regulation, can a democratic people be assured of that free and fair competition which is truly the life of trade.

Things of this sort are the only problem of reconversion that we need worry about. Let us remember that private enterprise won the battle of American war production. Let us go forward with confidence in the knowledge that private enterprise will win again —will win the battle of post-war production.

Additional Expressions Anent Peacetime Training Proposal

(Continued from page 277)

need a very large army. I mean that we should see to it that some of the nations now scheduled to be crushed should not be unduly weakened because they may be our natural allies in the next war. Much should be said about this subject but little can be said effectively in view of the almost complete propagandization that has taken place. Patriotism has been identified with the creation of a world situation that will require a large standing army.

My personal preference would be for a rather small, efficient skeleton of an army. I should rely upon the Air Force and the Navy as the first lines of defense, but, of course, much of this depends upon the unsettled question as to how far we are going to spread our wings over the world, that is, how many islands and bases we are going to obtain.

The Bretton Wood Proposals Versus Alternatives

(Continued from page 259)

consideration of the proposals will probably be initiated within the next few months. Before reaching a decision, Congress will doubtless wish to examine carefully their intent and purposes, the advantages and responsibilities of membership and possible alternative solutions for the problems involved.

Although both plans, since their release, have been carefully analyzed in this and other countries, discussion has centered mainly on the Fund—the more controversial of the two proposals. Students of the subject are agreed that an international credit organization is needed to facilitate discussion of and to promote policies respecting international monetary problems. The question at issue is whether this particular proposal will succeed over the long run in furthering international currency stability and monetary cooperation. It can only do so if its objectives are clear and well defined and its provisions unambiguous. Otherwise it is doomed to ultimate failure and will retard rather than advance the cause of international collaboration.

Defects of the Fund

The more one studies the Agreement, the more is one convinced that the Fund lacks the clarity, singleness of purpose and internal consistency essential to its successful operation. Sir John Anderson, Chancellor of the British Exchequer, in an address at the Lord Mayor's luncheton on Oct. 4, 1944, described the Agreement as a "difficult document, inevitably long and technical" and stated that it contained some "obscurities of language," which had led to misunderstanding and which must be clarified.[1]

The obscurities surrounding the plan relate not only to its language but also to its fundamental purposes. The obscurities of purpose arise in part from the dual parentage of the International Monetary Fund: the Keynes and the White plans. The primary objective of the Keynes plan was economic expansion, that of the White plan was currency stabilization. Both objectives are given emphasis in the introductory article of the Agreement where the Fund is charged not only with the duty of advancing international monetary cooperation, of promoting exchange stability and of establishing a multilateral system of payments on current account but is also charged with the duty of facilitating the expansion and balanced growth of international trade, and of contributing thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all member nations.[2]

The dual nature of the Fund augurs ill for its success. One does not know whether it is intended to concentrate on exchange stbility or economic developments.[3] One does not know whether its credit operations will be short- or long-term in character. In a recent article, one of the American delegates to the Bretton Woods Conference stated that Russia would probably use the Fund to purchase capital goods. This he concluded was not too high a price to secure its cooperation.[4] But if the International Monetary Fund is to be used to finance the purchase of capital goods, how can it be described as a "revolving fund" from which nations are to meet temporary shortages?[5]

If the International Monetary Fund is to be assured of success, it would of necessity be allowed to concentrate solely on the problem of currency stabilization. All extraneous objectives would be eliminated from the Agreement. A true stabilization fund would use its resources to make only two types of loans. The first, a very short-term loan, would bridge seasonal gaps in the balances of payments of raw material producing nations, and the second, a long-term loan, would provide nations, engaged in measures of currency reform, with needed currency reserves. The second type of loan would not have to be large in amount, if borrowing nations had put their financial houses in order; and only if they had put their financial houses in order, should such loans be extended.

The International Monetary Fund, with initial total assets of $8,800,000, is much too large if it is to be used solely for currency stabilization. It is much too small if it is to be used for the extraneous purposes of expanding international trade, financing the importation of capital goods, developing the productive resources of member nations and correcting maladjustments and disequilibria in international trade. No Fund, however large, would probably suffice for the financing of these purposes.

The all-inclusive objectives of the Fund have direct relevance its credit operations. These occur when one nation places its currency with the Fund to purchase the currency of another nation. Some of the supporters of the proposal have tried to maintain the fiction that, by reason of the techniques involved, the Fund did not engage in lending operations. It must be borne in mind, however, that a nation's currency is good only in its own territory and that when a nation places its currency of local use with the Fund to purchase other currencies, it in effect borrows those currencies.[6]

The lending provisions are basic. Without these, the proposal could scarcely be called a Monetary Fund and certainly it would not have commanded the support it did at Bretton Woods.[7]

The net amount over a period of time which a nation may borrow from the Fund is equal to its quota. At Bretton Woods definite quotas were assigned to each nation. These have a threefold function. They not only determine the limits of each nation's automatic borrowing privileges, but they determine, too, its share in the management of the Fund and the extent of its contribution to the assets of the Fund. Inasmuch as there will be a strong demand for dollars in the postwar period, our own quota is in reality a measure of our contribution to the lendable assets of the Fund. In the case of many other nations, it measures their access to the Fund's benefits.

Fund Quotas Based on Political Considerations

In the preliminary discussions leading to the Bretton Woods conference, much emphasis was given to the various "scientific criteria" which were to determine the quotas. At the conference itself these criteria seemingly played a role of minor significance and political considerations became important. **The Economist** declared that "the conference presented the unedifying spectacle of a technical gathering being jockeyed by purely political considerations, and the determination of the quotas resembled the process of political chaffering more than an objective attempt to achieve equity.[8] More recently the quotas have been likened to lines of credit granted by commercial banks. The analogy, however, is a completely fallacious one, since quotas are not related to economic need, credit worthiness or to capacity for repayment.

The Fund may deny loans to any member "using the resources of the Fund in a manner contrary to the purpose of the Fund," but the purposes are so all-inclusive that few transactions would seem barred. Specific prohibitions are that the Fund is not to be used to meet a large or sustained outflow of capital, that it is not to be used to provide facilities for relief or reconstruction or to deal with international indebtedness arising out of the war. These prohibitions themselves give rise to difficulties of interpretation. What constitutes a large or sustained outflow of capital funds? Can capital transactions be differentiated in all instances from current transactions?[9] Can the needs of relief and reconstruction be separated from those of economic development?[10] Not only would the broad purposes of the Fund encourage a liberal interpretation of its provisions, but is unrealistic to suppose that a narrow interpretation would be applied to the borrowing demands of a first-class power.

Not only are loans granted on what for all practical purposes is an automatic basis and granted in accordance with a set time schedule, but they are granted without definite termination. There are no specific provisions in the plan which place definite limits on the life of particular loans. Under the recapture clauses, member nations shall at the end of each financial year repurchase a certain amount of their currency held by the Fund. But the recapture provisions are subject to exceptions and probably would not apply effectively, certainly within the first five years of the life of the Fund, to those nations likely to make greatest use of its facilities. Net borrowings are subject to certain interest charges which increase progressively with amount and with time, but these are so low that they would not impel the repayment of the funds borrowed.[11] If a member nation has drawn the full amount permitted, the average interest charge in the fifth year amounts to but 2½%. Not until the eighth year, when the interest charge has increased to 4%, are the Fund and the member nation obliged to consider means by which the Fund's holdings of its currency are to be reduced.

Borrowing Requirements

No international credit agency, such as the International Monetary Fund, can operate successfully unless loans are tailored to the specific credit needs of borrowing nations and unless careful study is given to the nature of those borrowing requirements. Some of the problems involved become apparent by raising a few questions. What, for example, are the requirements of England for foreign credits, and in particular, for dollar credits, in the immediate postwar period? Inasmuch as Britishers declare that they will assume responsibility for the liquidation of blocked sterling balances, it is generally assumed that England's dollar requirements will arise from her need to import food and raw materials in the transition from war to peace and that these requirements may approximate $3,000,000,000. Unless limits on her borrowing powers are waived, England, over a period of time, can obtain a net amount of $1,300,000,000 from the Fund. If her needs for dollar exchange do come to $3,000,000,000, is the difference to be obtained from the Export-Import Bank, or from credits granted or grants-in-aid given by the American Government, or from an extension of Lend-Lease? Should not England's need for dollar exchange be viewed in its entirety and be handled as one transaction? To cite another case, will France, in view of her large gold holdings, require an external loan for stabilization purposes? Unlike the British situation, France's monetary problems are internal rather than external. The stabilization of the franc would seem to be a matter largely of checking internal inflation. To cite still a third case, does Russia, in view of her economic system and of the controls she has imposed over her foreign trade, stand in need of a stabilization loan?[12]. The external foreign exchange value of the ruble has little economic significance. Russia's needs are for long-term credits of an investment character. The point I wish to emphasize, in citing these particular instances, is that the specific credit needs of individual nations should receive careful study and that the credits granted should be "tailored" to fit particular requirements. We should not attempt to fit all credit requirements to the Procrustean quotas of the International Monetary Fund.

"Is It a Gold Standard?"

The obscurities of the Fund's provisions relate not only to its purposes and its lending powers but also to those sections concerning stabilization, exchange controls and restrictions—sections which have been characterized by supporters of the proposal as a code of currency conduct for member nations. These sections are presented to the American public as a victory for exchange stabilization and for the gold standard, at least in modified form.[13] American sponsors cite the fact that the par value of a member's currency must be expressed in terms of gold or of the gold dollar, that each member must maintain the gold value of its assets in the Fund, that the repurchase clauses call for the use of gold and convertible currencies and that charges to the Fund are ordinarily to be paid in gold. The same general provisions are presented to the British public as a triumph of flexibility and as either the opposite of the gold standard or as such a radical departure that the autocrat is reduced to the status of a constitutional monarch. To prove their contention, British sponsors cite the sections relating to changes in exchange rates, to scarce currencies, to the retention of exchange controls during the transitional period and to the permanent control of capital movements.

Sir John Anderson, in the address from which we have already quoted, declared that England by reason of membership in the Fund would not surrender "any ultimate right" to follow its own exchange policy. "For those who are particularly anxious on the question of our freedom to adjust our exchange," Sir John continued, "I would recommend a study of Section 5 of Article IV of the document, the last paragraph of which makes it obligatory on the management of the Fund to allow a change in exchange rates in order to correct a fundamental disequilibrium." The inference to be drawn from this statement is that the nation requesting the change in its rates of exchange is itself to determine whether it faces a "fundamental disequilibrium" and whether, in consequence, it is entitled to such a change.

Somewhat similar provisions in the Joint Statement by Experts,[14] which furnished the basis for the Bretton Woods Agreement, caused Lord Keynes to declare that the proposals were the exact opposite of the gold standard. "In fact, the plan introduces in this respect," Lord Keynes continued, "an epoch-making innovation in an international instrument. . . . it provides that [the external value of a currency] should be altered if necessary so as to conform to whatever defacto internal value results from domestic policies, which themselves shall be immune from criticism by the Fund."[15]

British opinion holds that one of the widest deviations of the International Monetary Fund from the gold standard is to be found in Article VII, concerning scarce currencies. Lord Keynes stated that somewhat similar provisions in the Joint Statement by Experts placed very definite responsibilities upon creditor nations.[16] Theirs was the responsibility, he implied, of supplying the funds needed to prevent the draining of reserves away from and to prevent deflation in debtor nations. According to his point of view, business depressions might not have occurred had

(Conitnued on page 283)

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[1] *The Financial News,* (London), October 5, 1944, p. 3.

[2] The purposes of the proposal are rendered even more obscure by frequent use of such terms as maladjustment and disequilibrium, which are never defined.

[3] An article in the *Federal Reserve Bulletin* (September, 1944, p. 850) stated that the "revival and expansion of international trade is the central objective of the International Monetary Fund."

[4] Brown, Edward E. "The International Monetary Fund: A Consideration of Certain Objections." *The Journal of Business of the University of Chicago.* October, 1944, p. 202.

[5] *Federal Reserve Bulletin,* September, 1944, p. 851.

[6] *Federal Reserve Bulletin,* September 1944, p. 856.

[7] Newspaper accounts of the conference revealed that certain nations apparently were more interested in the sums that they could borrow than they were in the problem of currency stabilization.

[8] *The Economist* (London), July 29, 1944, p. 138.

[9] Particularly in view of the fact that the Fund finances a passive balance of payments not specific transactions. See Williams, John H. "International Monetary Plans." *Foreign Affairs,* October, 1944, p. 49, n. 15.

[10] Even if they could be so separated, might not the Fund be used indirectly for such purposes? Nations would be tempted to make use of their holdings of gold and dollar exchange to finance relief and reconstruction and to make use of the Fund to finance other requirements.

[11] Over and above the interest charge, nations purchasing the currency of other nations are required to pay a service c.

[12] See Brown (*op. cit.*), p. 202.

[13] See Einzig, "Is It a Gold Standard?" *The Banker* (London), September, 1944.

[14] Dated: April 21, 1944.

[15] Parliamentary Debates, May 23, 1944.

[16] *Ibid.* According to the "Joint Statement by Experts," a currency became scarce when the Fund's holdings were on the point of exhaustion. According to the Bretton Woods Agreement, a currency becomes scarce when a general scarcity develops, whether in the Fund or in the market. However, if the repurchase provisions of the International Monetary Fund function as efficiently as the sponsors of the plan declare, the depletion of the Fund's holdings of a particular currency should coincide with a general scarcity.

DIVIDEND NOTICES

BUR-MIL QUALITY
Dividend Notice
January 17, 1945

BURLINGTON
MILLS CORPORATION

The Board of Directors of this Corporation has declared the following regular dividends:

5% CUMULATIVE PREFERRED STOCK
$1.25 per share
COMMON STOCK ($1 par value)
50 cents per share

Each dividend is payable March 1, 1945, to Stockholders of record at the close of business February 13 1945.

WILLIAM . COULTER, Secretary

ALLIS-CHALMERS MFG. CO.

PREFERRED DIVIDEND NO. 4

A dividend of one dollar ($1.00) per share on the preferred stock, $100.00 par value, of this Company, has been declared, payable March 5, 1945, to stockholders of record at the close of business February 12, 1945. Transfer books will not be closed. Checks will be mailed.

W. E. HAWKINSON,
Secretary-Treasurer.

January 10, 1945.

Boston, Mass., Jan. 11, 1945

At a regular meeting of the Board of Directors of **The First Boston Corporation** held on January 11, 1945, a dividend of $2.00 per share was declared on the capital stock of the Corporation payable January 31, 1945 to stockholders of record as of the close of business on January 20, 1945.

EDWARD J. COSTELLO,
Treasurer

JOHN MORRELL & CO.

Morrell PRIDE meats

DIVIDEND NO. 62

A dividend of Fifty Cents ($0.50) per share on the capital stock of John Morrell & Co., will be paid January 31, 1945, to stockholders of record January 19, 1945, as shown on the books of the company.

Ottumwa, Iowa. Geo. A. Morrell, Treas.

NATIONAL DISTILLERS PRODUCTS CORPORATION

The Board of Directors has declared a regular quarterly dividend of 50¢ per share on the outstanding Common Stock, payable on February 1, 1945, to stockholders of record on January 15, 1945. The transfer books will not close.

THOS. A. CLARK
TREASURER

December 28, 1944

UGI

A dividend of 35 cents a share on the Capital Stock, par value $13.50 per share, has been declared, payable Feb. 28, 1945, to stockholders of record Jan. 31, 1945.

THE UNITED GAS IMPROVEMENT CO.

JOHNS HOPKINS, Treasurer

December 26, 1944 Philadelphia, Pa.

"Dynamic Economics"

Techniques required in preparing demand studies important in proving cases and necessary for eliminating the effects of general business conditions in reconstructing earnings are explained in "Dynamic Economics" by Charles F. Roos. Chapters include: Demand for Consumers Goods; Automotive Demand for Gasoline; Demand for Agricultural Products; Demand for Capital Goods: Factors Influencing Residential Building; Growth and Decline of Industry; Joint Demand and Loss Leaders; Production Costs and Profits, and Adjustments of Costs.

A few copies of this pioneer work are still available at a cost of $5.00 from the Econometric Institute, Inc., 500 Fifth Avenue, New York 18, N. Y.

The Proposed Floor Trading Prohibition

(Continued from page 259)

I.

The Function of the Floor Trader

The presence of the floor trader on all important exchanges throughout the world is not a matter of chance or haphazard evolution. No one preconceived the idea. No one "invented" the profession. It is the result of an economic principle and an orderly evolution arising out of mature trade practices. It developed because it was essential to the orderly and continuous marketing process, whereby values which are offered for sale are kept stable. It minimizes wide or abrupt fluctuations, due to temporary absence of effective buyers or sellers, as the case may be, or to a temporary disequilibrium in supply and demand. Thus, the term "price stabilizer" has been applied to the floor trader, whatever his individual motives or aims may be in carrying on his transactions. Economists and others who have made a life study of business evolution and marketing practices have used this expression. If abuses and "privileges" exist, it is not because of a fundamental error or fallacy in this economic concept. Evils and crime exist in all professions and in all trades. To eradicate these evils we do not ordinarily propose to abolish or destroy essential economic activities. We do not, in these days, urge that butchers and meat dealers be outlawed, because of black market practices in their business.

In 1909, Governor Charles E. Hughes appointed a commission (of which the renowned editor of the New York "Evening Post," Horace White, a recognized authority of finance, was chairman) to make legislative recommendations for the reform of securities and commodity exchanges. This commission, after a thorough study of all the phases of stock exchange operations, noted that "the problem, wherever speculation is strongly rooted, is to eliminate that which is wasteful and morally destructive, while retaining and allowing free play to that which is beneficial." Its report did not praise or condemn the activities of the floor traders, and made no recommendation regarding them. Yet, it did mention that "the practice of specialists in buying and selling for their own account often serves to create a market where otherwise one would not exist."

Perhaps the best statement of the contribution of the floor trader to orderly securities marketing is that of Professor Charles Amos Dice, who made a personal study of stock exchange operations two decades ago. In his book "The Stock Market," he says, (p. 193 *et seq.*) "The results of trading [by the floor trader] on small margins of profit with rapid turnover has three beneficial economic effects: (1) it creates a continuous market; (2) it narrows the spread between the bid and asked price; it stabilizes the price from hour to hour throughout the trading period of the day. Since the room trader (i.e. floor trader) is always ready to step in with an order to buy when no one else is buying, or to sell when no one else is selling, there is always a market that fluctuates relatively little and in which the intervals in price from one sale to the next are at a minimum. . . . The trader who devotes his time to his work is often criticized as being a high class gambler who manipulates prices and creates artificial values: On the contrary, his work stabilizes prices and provides a constant market."

It was the late President Hadley of Yale University, a distinguished economist in his day, who set forth in clear language the value of dealer speculation (and, by implication, floor trading), as a price stabilizer. President Hadley writes in his widely read book "Economics" (page 101-103): "Those who hold the commercial theory of value believe that trade renders a service to society, independent of the labor of distribution; and that this service is of essentially the same character, whether the sale be made in a different market or in the same market. They hold that the work of the trader, in acquiring goods when they are cheap and parting with them when they are dear, results in the increase of their utility to the public. . . . The speculator of today makes his money chiefly by taking advantage of differences of price between different times. If the speculator foresees a rise, he buys wheat today with the hope of selling at an advance. If he foresees a fall, he contracts to make future deliveries at today's prices, in the hope that he can secure the filling of those contracts at rates low enough to leave him a profit. This is the type of transaction which forms the bulk of the business on all the leading exchanges of the world."

President Hadley's extended exposition of the value of speculation through dealer trading, as published in 1896, has been widely adopted by other economists, and, on the whole, there has been little in the way of refutation that traders or "jobbers" (as they are called in England), whether occupying a "privileged" position or not, act, as a group, toward a stabilization of prices, and, like him, they agree that any legislation which "would prevent operations like those of the cotton broker or lumber merchant, which economize the capital of the community and have become a necessary feature in modern business life, would be attended by great and disastrous irregularity in prices. Any legislation of this kind, in order to be successful, must be contrived so as to affect gambling transactions and leave the legitimate ones comparatively untouched." (p. 108)

Arguing along the same lines, Professor Henry Crosby Emery in his well known work, "Speculation on the Stock and Produce Exchanges" remarks (p. 103):

"In the course of time, the extension of exchanges brought out a distinctly trading class. Trade, as distinct from exchange, means buying in order to sell again with a view to gain from the transaction. Evidently, the exchange of goods does not necessitate a trading class, and much exchange takes place today without the intervention of a trader. But any great extension of exchanges is impossible without such a class, and it is only when the producer and the trader are differentiated that real commerce begins."

"This trading class," he adds, "stood ready at any time to take over the extra product of the individual producer and assume the responsibility of the exchange. Thus, the trading risks, that is, of a change in value, were shifted to the shoulders of a new class, and the members of this class in turn, so far as they assumed such risks, became the speculators of the community."

II.

The SEC Report on Floor Trading

In support of its revolutionary proposal, the Trading and Exchange Division of the SEC has issued a "Report on Floor Trading." This report, according to James A. Treanor, Jr., Director of the Division, is "the work of several months study" of the markets for certain low-priced motor stocks in the spring and summer of 1944, and was prepared by three individuals, under Mr. Treanor's direction. On the basis of this limited investigation, with its inadequate sampling, conducted during a period of abnormal conditions due to war and other emergencies, a proposal is launched for legislating out of existence a class of stock exchange members that have performed an economic function for many decades, and, unless prevented, is likely to be put into effect as Rule X-11A-1. It is authorized by virtue of Section 11 (a) of the Securities Exchange Act of 1934, which empowers the SEC "to regulate or prevent floor trading by members of National Securities Exchanges, directly or indirectly for their own account or for discretionary accounts."

When it is recalled that the whole scheme of securities regulation by Congress was drawn up in a period of violent reaction, a result of the speculation excesses of the boom period of the 1920s, it is not surprising that a rash, drastic and unwarranted provision of this kind was inserted in the law. It is merely an illustration of an attempt to straighten a rod by bending it too far in the opposite direction. It was never intended under the constitutional powers granted to Congress, that a local and private business transaction, not involving interstate commerce except by the most remote implication, could be entirely prohibited, and that a legitimate occupation of value to the public could be entirely wiped out by bureaucratic action.

But aside from this, there is a misconception of the basis for the proposal! The theory on which it is based is that the floor trader "by virtue of his access to the floor of the exchange . . . has the advantage of instant information concerning the technical position of the market." On the same grounds, why not prohibit a rare book dealer from purchasing a volume at a public auction, on the ground that he has private information of the rareness and the desirability of the item, and therefore exercises an undue advantage over other bidders? Or should an art connoisseur be forbidden to purchase a painting, at the price he is willing to pay, on the pretext that in the transaction he is exercising a knowledge and skill, which is a "privilege" not possessed by the general public? Should real estate operators be outlawed, because they have a skill and acumen which those not in the business, but who deal with them, do not have? It is to be expected that one who exercises a trade or profession should use his skill in these matters, and, unless fraud or deception is involved, the gains and emoluments are economically and morally justified. Otherwise, why undergo training and experience in acquiring an occupation or a skill?

But it may be answered that the dealings of the floor trader on an exchange are adverse to the public interest. In what respect? If the trader manipulates the market, or effects a corner, or conspires with others to give a security an artificial value, or does any act which may injure those for whom or with whom he acts, he is not only subject to discipline by the rules of the exchange, but he is amenable to punishment under the law of the land.

From time out of mind, it has been held that shrewdness and business foresight, and the desire for personal pecuniary gains were virtues rather than crimes. To hold otherwise, would be to adopt the socialistic principle "From everyone according to his ability, to every one according to his need." It would be the virtual adoption of Statism or Fascism, and the destruction of private enterprise!

There is no economic or moral basis for the theory that a floor trader's profit causes a loss to the investor, if he carries on his occupation honestly and according to the existing regulations of the Exchange. As pointed out above, he is recognized on economic grounds, as a benefactor, in that he aids in maintaining a continuous value of securities and commodities and prevents, by his intervention, either as a buyer or as seller, wide and precipitate fluctations in prices. And, nothwithstanding the adverse opinion of an untutored Congressional Committee, "his services are particularly conspicuous on occasions of stress, when there is a great preponderance of either buying or selling orders."

The stock trader or stock jobber acts as a reservoir into which excess supply is poured, and out of which is drawn deficiencies due to excess demand.

III.

Combination of Trader-Broker Function

There is some discussion in the Commission's "Report" regarding the exercise of both broker and dealer functions by the floor broker. This combination is held to react in some respects to the disadvantage of members or customers of members whose orders he has accepted for execution. Here is an old controversy and it has been considered long before the so-called "Segregation Report" was made by the SEC in the months immediately following the enactment of the Securities Exchange Act.

The separation of the dealer and the broker function has been the practice on the London Stock Exchange for many decades, and whatever the cause of its origin, it has become firmly established. But it is not followed on other European exchanges, and there has never been a genuine or widespread need in this country for a segregation. Professor Emery calls this "jobbing" system cumbersome and directs attention to a criticism of it in the *London Economist* as far back as Sept. 30, 1893.

"It is hard for an American broker to see any advantage in such a plan," says Professor Emery, "and many doubts are expressed by the London traders, themselves. It is claimed that, in this way, a ready market is always secured, which would not be provided if the broker were to deal directly with broker, because of the difficulty of finding a broker who wanted the particular stock in the particular amount. But no such difficulty exists in the case of an active stock, where there is active bidding among brokers in open market, and in the case where the English method would doubtless be of advantage, that is, where the stock is a specialty or the market is one-sided, the jobbers usually refuse to trade, and brokers have to fill their orders in some other way. . . . In the long run, the English jobbing method seems to the American mind a cumbersome and unnecessary duplication of middlemen with a corresponding extra charge on the public." (p. 377)

But aside from the considerations expressed by Professor Emery, are not the evils of an exchange member dealing on his own account and also acting as broker, grossly overrated? Any exchange member, trading against his customers' accounts, is likely to have a short business career. He would not only suffer punishment under the exchange rules, but would soon lose his clientele, and it cannot be assumed that investors and stock speculators are unintelligent individuals, morons or **non compos mentis**, and therefore can be perpetually deceived by those with whom they entrust their dealings.

IV.

The Extent of Floor Traders' Dealings

The Report of the SEC Trading and Exchange Division discusses the concentration of floor trading and its effects on price movements and market action. It is asserted that there are but between twenty and thirty members who at present are floor traders and that the annual business is around $350,000,000 or about 5.3% of total transactions on the New York Stock Exchange. This is seemingly too insignificant a fraction to cause so much study of its effects and so much outcry as to its evils. But the number of members involved and the amount of the transactions is not the case in point. Conditions may change and the economic function of the floor trader may become more important. In 1928 the number reported on the N. Y. Stock Exchange was 117, but five years later it had increased to 173. Today, there are possibly not more than a score who gain their livelihood exclusively in the occupation.

As already pointed out, the trader's service to the investing and speculating public becomes of peculiarly great significance in times of market stress. It is during periods of market excitement, either on the up or the down side, that the floor trader performs his function to the best advantage and when his risks and his profits or losses are greatest. Knowing intrinsic values and market psychology, the floor trader in these periods acts as a damper on wild sweeps in market movements. This has also been a function of the "short seller," but since Congress, in its gracious capacity of the protector of the "innocent" stock speculator, has almost nullified the economic benefits of short selling and short buying in spite of the contentions of economists, floor traders are the only leveling element left that can prevent explosive movements in stock values on the floor of the exchange.

The assertion in the "Report" that the recommendation to prohibit floor trading at this time comes because "of the rapid succession of events which will precede and accompany the nation's transition from war to peace," is not only unfounded, but also is, in reality, a contradiction. It is in such periods that the floor trader, with his astute business acumen, can perform a service in keeping values in line with existing and pending financial and economic conditions.

V.

The Report's Inadequate Study and Erroneous Conclusions

The few "case studies" of floor traders' transactions given in the so-called "Report" are far too inadequate and unrepresentative to form a basis for sound judgment. If insurance companies based their charges for the risks they assume on actuarial data of this character, they would require insurance on their own account to operate safely. Selecting a few "low priced" automobile stocks as "cases," and limiting the period of market action to a few days, they found what they were looking for; namely, an undue influence on market fluctuations due to "purchases on members own account." To obtain satisfactory data for drawing statistical conclusions in so important a public matter as that concerning the prohibition of a recognized and long existing occupation requires not merely a small sampling process, but a detailed enumeration covering long and different periods under varying conditions. Such a study was attempted a quarter of a century ago by the Federal Trade Commission in the matter of trading in grain futures, and though a vast sum of the public's money was spent in the investigation and several years, with numerous employees, consumed in the work, it changed matters very little and allowed future trading to continue as a part of the grain marketing machinery.

And so, one can safely question the conclusions of the Report to the SEC that the floor trader should be exterminated, because: (1) "floor trading engenders excessive trading and excessive fluctuations in price"—(the very opposite of established economic doctrine)—; and (2) that the Commission should immediately invoke its powers under which it may "regulate or prevent floor trading by members of national securities exchanges, directly or indirectly for their own account or for discretionary accounts."

The Bretton Woods Proposals Versus Alternatives

(Conitnued from page 281)

creditor nations been willing to extend credits in the amounts required by debtor. The American sponsors of the plan reply that the responsibility for correcting problems, arising from the general scarcity of a particular currency, is not unilateral. It is a responsibility to be shared in by all member nations. The cleavage between the British and American interpretation of these provisions is very wide and fundamental. Certainly nothing is gained by ignoring such cleavages or by the pretense on the part of the Fund's advocates that they do not exist.

Discriminatory Currency Practices

Differences of interpretation have also arisen over the sections concerning the avoidance of discriminatory currency practices. Editorially "The Times" (London) has inquired whether these sections would prevent special currency arrangements within the sterling area.[17] Specifically the question had to do with the purchase of the entire raw material output of one of the Dominions and payment in a type of sterling which could be expended only in the United Kingdom. If such arrangements are approved there is small possibility, however, that a multilateral system of payments can be achieved.

The ambiguity of the Fund's provisions concerning the gold standard and the foreign exchanges probably arises from the fact that altogether too little attention has been given to the implications of exchange stabilization. Exchange stability having economic significance results only if internal inflation has been checked, if foreign exchange and trade controls are removed and if barriers to international trade are eliminated. Such stability rests upon parallel movements in the internal worth of currencies. Such parallelism exists, however, only when nations refrain from following independent economic policies. If nations follow independent policies, exchanges on both current and capital account will of necessity be subject to continuous control and true exchange stability cannot be achieved.

International Collaboration Not Promoted

An analysis of the provisions of the International Monetary Fund leads to the conclusion that the Fund will not promote international monetary collaboration. Its objectives are contradictory and its detailed provisions, ambiguous. Its lending provisions ignore the credit lessons of the past and would tend to perpetuate bad situations. Far from being a code of currency conduct, the Fund's provisions, subject to diverse interpretations, would provoke international dissension.

The International Bank

"The Bank," "The Economist" (London) has declared "is less controversial than the Fund and more urgently needed."[18] It is less controversial in that its objectives are more precise. It is more urgently needed in that the credit needs of the postwar period will take the form mainly of a demand for long-term investment funds.

The lending provisions of the Articles of Agreement of the International Bank for Reconstruction and Development stand in marked contrast to those of the Fund. Credits are not to be granted on an automatic basis irrespective of the credit worthiness of the borrower. No credit is to be extended or facilitated unless a competent committee, in a written report, has recommended the project and unless the Bank is convinced that the borrower and guarantor will be able to meet their obligations. Loans are to be tailored to fit specific borrowing requirements and the use of the proceeds is subject to supervision.

Those who sponsor the Bank declare that it is intended to supplement not supplant the private investment market. Evidence is offered that its principal task will be to guarantee securities floated through the usual banking channels.[19] The relative amount of loans extended directly will not be large. The Bank is to facilitate credit extensions only if it is satisfied that the borrower would not otherwise to able to obtain loans on reasonable terms and at reasonable charges. The relationship of the Bank to the private investment market will depend largely upon the definition given to these conditions. A conservative interpretation would confine the Bank's operations to those credit areas (somewhat difficult to delineate) where risks, by reason of political or economic uncertainties or by reason of lack of confidence, would not be assumed by private markets and yet where loans over the long run might prove economically sound. The Bank itself would have to set fairly high rates on such marginal loans. The risks involved, as shown by the record of those floated under the auspices of the League of Nations, are very great.

The success of the Bank will depend largely upon the conservatism and competence of its management and its freedom from political influences. A competent management is always of vital concern in credit institutions and particularly so in one in which borrowers will have considerable influence. The importance of obtaining the best management is recognized in the Articles of Agreement, which instructs the President of the Bank to appoint officers and staff of "the highest standards of efficiency and of technical competence." Freedom of the Bank from political influences and from logrolling tactics will depend upon the self-restraint exercised by the main stockholders. The Bank will succumb to early failure if the member nations look upon it as an agency to further their immediate selfish objectives.

As one authority has expressed it, the Bank is "a venture

(Conitnued on page 286)

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[17] September 5, 1944, p. 5.

[18] December 2, 1944, p. 730.

[19] Member nations are jointly and severally liable to the extent of their subscribed capital on securities guaranteed.

"Report from the War Front"

(Continued from page 258)

great interest because that vein of American humor is what saves the Americans and I see old Uncle Dunk Frazier, who was a co-traveler with me, smiling down here. We had many good times. The GI is saved by his humor.

The story is told about an American officer who was very eager to get a Luger revolver such as is carried by the German officers. You know they say that the German soldier fights for the Fatherland, the French soldier for glory, but the American soldier for souvenirs.

So, this officer was determined that he would get a Luger. That was his chief job. He stalked a German officer and finally got him where he could shoot him and just as he went to fire, a GI fired first and killed the German. Our Captain leaned over and reached for the Luger and the soldier called out, "Captain, I shot that man." "Fine job, good shot," said the Captain. "You are to be commended, my fellow. I will report you." And he reached again for the Luger. Up came the American soldier, saluted politely and said, "Captain, I want to tell you I have already killed one man to get that Luger revolver." (Laughter.)

When we left America, the average optimistic American who listens to the radio and reads the paper, we went away quite sure that France and Belgium were happy in their new liberty and that the war was nearly over and that Germany was cracking up. A few weeks later we returned deeply observed by what we had seen and very much disillusioned by what we had seen of the economy and the social conditions in France and in Belgium.

I don't have a speech today but I want to talk about some of the highlights of this trip, some of the incidents here and there and tell them somewhat in a narrative form, hoping that you will feel the impressions that we got and that you will see how we came to certain conclusions.

The trip over was, perhaps, one of the thrills. I will take just a minute to tell you about this trip because aviation is my industry and to me it was a little prelude of the future that we can expect in that coming industry. We met in New York. We were going over on a great four-motored C-54, a truly wonderful plane, larger than a B-29 in size though not in weight. We were briefed in what to do in case of an accident and before we even left, we began to realize that America is fighting a war in which human life is precious and any material must be wasted in order to save life.

We learned there was a ton of safety devices on this ship—five rubber boats. All you did was push them out the door and when they hit the water, they inflated, lights lighted and everything started getting ready for you as you climbed down. There was a radio in the ship which you simply threw overboard into the water and when it hit the water, a light lighted so you wouldn't lose it in the dark. It floated and if you wanted an aerial, you opened a box and a kite flew out. If there was no wind, you opened another box and out came a balloon. It is a big one. you couldn't blow it up, so out of another box came a hydrogen generator. You stuck it in the salt water, put the pipe on the balloon and it would inflate the balloon for you. In case you didn't know how to operate the radio, you put the radio on automatic and it would call SOS and give the approximate location in which you found yourself. Truly the application of scientific developments to the saving of life in this war is one of the extraordinary things of this day.

We left Washington at night and an hour later we were over New York; an hour later Boston; an hour later Augusta. Territory means nothing in those ships. Six hours later we dropped down on the barren wastes of Newfoundland on a magnificent airport and were whisked to the Hotel DeGink—in the Army they call all foreign hotels DeGink—where we had hot bacon and eggs and butter out of a bowl and all kinds of things were in great plenty and there we stayed while they decided from the weather what the next jump would be.

We took off again at two in the morning for Iceland. I spent the nine hours in the co-pilot's seat and never have I thrilled to anything as I did during that nine-hour ride. The Northern Lights over here on the left, the great billowy clouds below that looked so dense that you might ski on them and then the dawn appearing in the East that we were flying toward, and later the little arc of the sun rose and all that great billowy mass of North Atlantic clouds were touched with pink from the sun. It was a beautiful and thrilling sight.

Nine hours later we dropped down in Iceland to another magnificent airport. I thought the whole thing was done rather extravagantly. The Army is having a wonderful experience in the use of aircraft for cross-Atlantic travel; in fact, travel all over the world. Every 17 minutes a plane crosses the Atlantic Ocean. But when we landed in Iceland and saw ten great transports of the same type drop through the clouds behind us, loaded with life blood two and a half days from your veins to the soldier at the front, my feeling was, "Give the Army anything it wants to do the job it is doing."

The Work of American Engineers

We moved on then into Iceland, getting there in a driving rain and we saw something of the terrible weather that has dogged our Army's footsteps all winter. We stopped there but a short time and on into London and in a short time, we saw some of the damage. We saw that London is shabby and London is tired and nerves are stretched. They have imposed a terrific burden upon themselves, an economic restriction, and on the whole, they have lived up to it pretty well.

Then we flew on to Cherbourg and saw something of the wreckage there. I want to mention that to praise the extraordinary work done by the American engineers in applying all the new tricks of industry to this war. You know three-quarters to five-sixths of all the soldiers don't fight. They are behind the lines unloading transportation, repairing bridges, getting the goods that we build to the soldier at the front. I am told that 2,500 separate items must be supplied each soldier—three hundred kinds of different ammunition; and there at Cherbourg we saw the first great unloading effort in a port completely demolished and wrecked by the Germans. There wasn't a square foot of roof left standing. There was nothing that could be used when our engineers landed, and yet in a few weeks we were unloading four times as much tonnage as ever went through the port before it was wrecked. There were 47 great Liberty liners standing off the harbor unloading. many of them were "ducks.". You know the "duck" is both a boat and a truck. It is one of the great inventions of this war.

These "ducks" waddled across the railroad tracks down a ramp out into the bay, swung up against a big liner, a sling was swung aboard full of goods and back the "duck" waddled and over to the railroad siding, where it piled up its goods—an extraordinary, ingenious operation by our engineers. We saw the greatest pipe line in the world; tankers up against wrecked piers pumping oil and gasoline into a pipe line system bigger than any in the world, all built in a few months out of short lengths of pipe. One soldier can carry a length and an automatic coupling and they can lay it at the rate of 70 miles a day. Truly the planning for this war and the industrial job of getting ready has been magnificent.

From Cherbourg we went on to the beaches and saw the harbor of ships and the wreckage there, and then flying towards Paris, across a great field where gliders had landed behind the German lines and there were two or three hundred acres just plastered with wrecked airplanes and gliders, showing the terrific wreckage of war where the British air-borne troops had landed behind the Germans.

On the way up to Paris we saw the magnificent bombing of the American Air Force. Every bridge was down. True, a lot of bombs were dropped and they missed, but every bridge was finally destroyed and that way we cut off the German reserves in the battle of Normandy. Flying to Paris, I began to observe something else that disturbed me—rich farm lands, cattle, fat horses out drawing farm wagons, many of which no longer had those big picturesque wheels, but rubber tires under them. I began to wonder a little about the economy of France.

France Under Occupation

We went on in there and I began asking many questions of everyone I met about the economic and social conditions because my first disillusionment came in that field and I want to tell you a little bit about it.

We went to the Ritz Hotel, the big brass doorknobs and all the decorations were there. The hotel looked well-painted with new silk curtains hanging. Some of the rooms were modernistic. I had been told that France was suffering; that France was stripped of all her food and metal. I had been told by high Government authorities that every horse and cow and sheep and pig in France was killed and unless we gave her a hundred thousand tractors to plow with, we would have to feed her more than one year.

Let's see what happened in France. The Germans came into France and from what we gather, they started under deficit financing to build a consumer boom. They were very polite. They were extremely anxious to win the support, particularly of the working classes of France. I was told by a young French woman whose cottage was taken by the Germans that they rented it, they kept the gardens up, they painted it, they paid her high rent. They were extremely anxious to make her think that they were the best tenants she had ever had.

The Germans established an exchange which filled the pockets of the German soldiers with money. You see, deficit financing, much as we are financing the war, is with pencil marks in a book which is the money which was used and with an exchange rate of 50 francs to one mark, the German soldier found his pockets filled with francs. He had a large purchasing power and he went out and used it. The result was that when his laundry was done by the French woman, she got a big tip. When he bought a hotel dinner at the hotel, a large tip was paid again. Money began to turn over rapidly. There was a consumer boom. Bonuses were paid. Take the captain of a river boat bringing coal up the river for the Germans. When he worked for the Germans, he got 100% salary bonus. Here we pay double wages and time and a half. The Germans, when work was done for them, paid very liberally.

Farm production was stimulated. A general told me when we landed in Normandy we had to hire a farmer to go out and chase his cows away so we could deploy our tanks and start a battle.

Now, Germany demanded three things of the French early in the war. All the steel she could produce, and they paid well for it; all the transportation facilities, which meant that she wanted the trains running and running efficiently to carry her goods, and also all the machine tools in France must be working. The Germans said to a man with a machine tool plant, "If you will take orders from me, I will pay you well. If you won't take orders, then I must take your machine tools and transfer them to some plant where they will be used."

I am told the safety deposit boxes of the banks were opened by the Germans but nothing was taken. Careful inventories were made there. There is every indication that the Germans expected to stay in France and wanted the support of the people and they brought about this quick turnover of consumer goods to produce a boom that brought apparent prosperity to the working classes.

A fine, conservative Frenchman I had known for many years told me that if it had gone on a year and a half more, he believed the French working people would have settled for things as they were. They liked it. Later in Belgium—this was confirmed—a Belgian businessman told me when I asked him about hardship, "Why, we have had a boom here. Business has been normal — above normal. It has been good." He said, "Did the Germans take things from us? They bought things. Germany wanted butter. She didn't come to me but she came to the Belgian Government and said, 'We will swap butter for flour.' The Belgian Government sold butter at a high price and the Hungarian flour they got in exchange they sold to the Belgians."

He said, "Of course, we lived under a national humiliation. We are a proud people and that is a hardship." But economically, they were getting on very well. I said, "What about the cruelty?" He said, "Ah, Germany was cruel but only to those who entered the underground against her. If a businessman attended to his business and stayed out of politics, he was treated with great courtesy, but if you entered the political underground against them, you got things stuck under your fingernails or you were put in a bathtub of cold water with your head held under water, and all the things to make you talk."

He told me that in 1942 he courted a British subject, married her and asked if he might bring her and her two daughters into the country. They said, "Certainly, you may bring her in if she stays out of the underground." He said to me, "That is not strange because your General Eisenhower just announced that he will shoot anyone who opposes the American Army. You can't occupy another fellow's backyard if you don't watch the political underground."

I said, "What about the black market in the cities?" He said, "There has been a food shortage in the cities but that has largely been a black market brought on by the French and Belgians. The Frenchman who has the food refuses to sell it at regular prices and there was no good administration to make him, so the people in the cities paid extravagant prices for food and suffered a great deal."

Effect of Allied Invasion

There is a little bit of a picture of Germany for the first two and a half to three years. And then the war turned and the Americans came and our armies landed. The bridges were bombed; the locomotives were destroyed by the Germans; all transportation stopped. The trucks were stolen by the Germans in their haste to get out of France and Belgium. Unemployment and depression immediately set in. Also came another deflationary act. We set the exchange at two cents a franc or 50 francs to the dollar. Now, the underworld exchange is half a cent. I saw $50 sold for 9,800 francs but an American GI with his $50 gets only 2,500 francs, one-fifth the purchasing power of the German soldier, one-fourth the actual value of the money. So that our troops and our people over there can't buy anything and have no money to spend. This money which we issue, these francs, are guaranteed by the American Government. Sometime, when the Bank of France presents them, we will pay a dollar for every fifty, even though francs are cheap and at a half a cent in France. Already the French are hoarding the American guaranteed franc and passing their own which do not have a guarantee.

I said to the waiter who brought me breakfast at the Ritz, "What was it like over here in France under the Germans?" He shrugged his shoulders and said, "I wait on the German and I get a big tip, then the Americans came and I wait on the Americans and I get a little tip," and he walked out of the room.

I thought France would be wildly happy in the new freedom we brought and I found a cold shoulder turned where we looked for facts. The hotels made a great deal of money under the Germans. We have commandeered many hotels throughout France. We make a deal with the French Government. They operate at cost and they are not happy.

The French "Underground"

Another unfortunate thing is that the underworld worked with us prior to D-Day and was made up largely of Communists, young people and underworld ex-convicts and all the people who begin when there is a shooting. Now that the war is over, this underworld wonders why we want to disarm them. I was told that for every German train that was blown up they robbed ten peaceful French families, so it is very difficult to come into the country and find your partners are not the people you want to be partners with now. Much of the stealing is due to that.

When we opened up our pipe line across France, as much gas as we put in did not come out and we found all along the line the French had tapped the line and hung a pail under the tap and hung out a red horse sign and had gone into the gas business.

One general told me a Quartermaster train left Cherbourg and 40% of the stuff on it had disappeared when it reached its destination. I tell these things because I bring home a story that is disillusioning, that is sordid, that is unhappy.

General de Gaulle has tried to do something about this. He has raised the wages and frozen prices and that has put all the little businessmen that are in services and industries that might run out of business, so unemployment spreads and then comes the radical leader who takes everything over. The newspapers have been taken over.

Let me tell you of a new racket going on if you think it is nice to be in business in France. The nephew of a friend of mine ran a printing company. He is a peaceful citizen in a little business. He got into trouble with labor over a raise they wanted. The leaders rushed over and reported him as a collaborationist and he has been in jail for two months trying to prove this was a labor case, not a case of treason.

I called up the manager of a great French business. His wife said, "He is not home." I said, "I am sorry. It is Fred Crawford from the States." "Oh," she said, "his cousin is here." The cousin came to the 'phone and it was my friend. He told me afterwards that he expected any day that radical leaders would have him in jail for being a collaborationist. What is a collaborationist? I will tell you. If you operated your business for the Germans and didn't expand it, you were a patriotic citizen. If you operated your business for the Germans and expanded it to any substantial amount, you were a collaborationist. And, lastly, if you get into trouble with labor, you are a collaborationist with Germany.

Today the French are demanding six and a half million tons of Lease-Lend in the next three or four months if they are to cooperate with us. They are crying for the nationalization of their industries. An amusing thing happened when they were there. The Renault plant was the spearhead in this cry, but when Renault died, he left his plant to his workers so they suddenly had to reverse themselves and cry, "Nationalization for everybody but the Renault works."

In Belgium, I saw a two-star general who was off to beg the coal barons, or, rather the coal labor leaders of Belgium, to "Please don't strike your mines until we get enough coal to bring American ammunition up to the American troops."

A high-ranking general said to me that he hoped we could get the war over with before all of Europe fell out from under him in a Communistic civil war. I am told that Norway is as bad as Belgium and France. Whenever a consumer boom, with high wages and too much pay for little work ends suddenly, then you get this turn to Socialism and the radical leaders take over. The United States is blamed for this depression, for unemployment, for lack of Lease-Lend, for the black market, for everything.

We came home surprised and disillusioned — what a foundation that is to build a happy cooperating unity in Europe on in the future! Why can't the American people get this picture? So, my first conclusions from my trip abroad are that the time is come for realistic censorship that will begin to tell us the actual, straight-forward facts abroad. Let's demand the facts. We are fighting to bring a free press to Germany. Let's get a little of it at home here in America. (Applause.)

The Supply Accomplishments

Now, we turned our attention to the schooling and the things that we were there for. General Lee in Paris put us through school. We saw how this job of supplying an army is just like civilian life, a great wholesale-retail proposition. Shiploads of solid lots arrive. They must break them down from wholesale warehouses to retail and finally distribute the 2,500 items a soldier must have to each soldier.

It is a terrific job. What a job the engineers and transportation men have done. All France has been covered with a network of telephone, teletype, radio and jeep messengers. We saw 30 jeeps that had done 35,000 miles in six days delivering messages where the wires were down. That is one and a half times around the world. We learned that the airports must be built directly behind the lines for the pursuit ships. One hundred and twenty were built in a few weeks with 7,500 tons of steel shipped from America for each airport. Every bridge was down. Our engineers built four hundred bridges in just a few weeks, many of them very large, and the revitalizing of the railroads was a job almost bigger than the war itself. We saw these warehouses in the base zones. We were surprised to see one thing I want to mention, the extraordinary salvage job that the Army is doing. That is something new in this war.

There are no signs of wreckage on the battlefield. There is no debris. Our battalions are trained to pick up everything they find on the battlefield and when the supply truck comes up and unloads, rather than go back empty, they load it up with all this debris which is carried back and salvaged and rebuilt. Out of the first 105 tanks that came back, 55 were rebuilt and put back into the lines in a short time. Every enemy rifle, every one of our rifles, all the clothes, half-burned tents and scraps of everything are reworked and put back into the front.

We saw a pile of shoes half as big as this room and German prisoners were sorting lefts and rights and sizes, then they went down a long line where shoe making machinery was putting on soles and heels. What did they use for soles? Pieces out of tires that had been torn and ripped where a sole could be put on and sewed on a shoe to salvage and get it back into use.

We saw piles of tires. We saw American boys welding and patching and doing all kind of operations and we were proud of Ordnance and proud of the engineers and proud of the mechanical job done in this war.

We stopped at a little hotel which was all cracked up. One thing amused me. A sign over my bed read: "Air raid warning." It said, "The air raid warning will be sounded by the crash of glass and the bursting of bombs." That was the notice. It said, "In due course, we will have a ring-off and let you know it is safe."

Visit to the Fighting Men

Passing on to General Patton's headquarters, we had a day with that very colorful and interesting fighting man. I was so glad to spend a day with him. He is a great big fellow. He puts on a great show. He wears his pearl-handled revolvers and big brass belt buckle and riding breeches. His idea is why not look the part if you are going to play the part.. He puts in a dash and esprit de corps that makes his boys the most loyal in the Army. Everybody wants to be in Patton's brigade. They are going to be in Berlin first is the belief. Many a boy says, "That old gink, he can slap me on either end and I will stick with him." (Laughter.)

There we began to learn something about what had happened in France. It was an interesting picture that unfolded, how we had broken through after the Air Corps had bombed the bridges and cut off the German supplies at Normandy. Then how a spell of good weather enabled our Air Force to crack the line and through the line went this American Army raring to go and there followed what General Eisenhower calls one of the greatest military maneuvers of our time in which these American mechanized forces went one hundred miles, two hundred miles, three hundred miles, four hundred miles at a terrific rate. They abandoned everything except their tanks and their ammunition. One platoon of General Patton's Army left its artillery, captured German 88's and finished that drive shooting German ammunition. They captured their food. They picked up everything along the way with great resourcefulness. They captured two hundred pounds of Argentine beef up near Verdun. How did that get there? I thought we had a blockade on. I am told you can't keep beef four years that way. It must have been brought right through our blockade. We don't know much about this war.

This drive went on and finally it became almost impossible to supply gasoline to this mechanized force traveling. General Patton abandoned his right flank. He said, "I can't wait to protect my flank" and he called on the Air Corps to do it for him, and that was an astounding maneuver. With the cooperation of the air and ground forces, as the Germans formed in the south and came up, hastening up the concrete roads, our bombers just blasted them and turned back every expedition as it came up to cut the flank.

On we went, five hundred miles, six hundred miles and, finally it became humanly impossible to get the gasoline from the tanker to the tanks of our trucks and tanks. We had ten thousand trucks going around in a circle trying to get gasoline up and finally, at seven hundred miles, a tank burned up all the gas it could bring. Then we used P-38 fighters to use their belly tanks to bring up gas and keep them going. Finally that great expedition stopped and its very success stopped it; that is, its very inability to bring up gasoline. A truckload of food arrived and General Patton said, "Court marshal the bird who is responsible for that. We can get along without food but we have to have gasoline."

We learned that if, by some miracle, gasoline could have fallen out of heaven like manna, we would have gone through to Berlin and ended the war and that explains the optimism of that fall period. Many a general said, "We thought we had them." We did. We had them on the ropes and just as Dempsey hit Tunney and put him on the ropes, he was out for the count of nine, the Germans were out. Then extraordinary things happened that I want to tell you about, as we got on up to General Bradley's headquarters.

During the period when we had stopped and consolidated, during the period when it was impossible to advance, strange things happened in the German Army and I want to tell you what they are because the war entirely changed at that point. We found ourselves up against a German line seven or eight hundred miles long that is the strongest defense position in all of Europe. I believe it was Napoleon who said that Germany is so easy to defend, so hard to attack. Unfortunately, our drive ended at that line. There are mountains, you know, in the south, the great Black Forest and its mountains from Switzerland come up one hundred miles, then broad rivers and great forests and bad terrain through which there are only three or four narrow corridors, not more than forty, fifty miles wide, that a modern army can go through.

And, so, point one: The terrain has changed the whole war. It is a situation so startling that we can consider that one war has ended and a new war has begun. These mountains and rivers and the natural Siegfried Line is so strong that inferior troops on that line are quite as effective as trained troops. Then until we drive this great Army of Volks Grenadiers out of that strong position, out into the open where our trained and mechanical warfare can have an advantage again, we have a terrific job ahead of us.

A general turned to me and said, "We can go through that corridor to Cologne. It is only 40 miles deep, one hundred miles wide. It is the most strongly defended place in the world." He said, "I can go through, but I will leave a hundred thousand American boys in that 40 miles." He said, "I can't do it that way. We are committed to a war of the saving of lives and the use of material. You have got to give me such unprecedented quantities of shells that we can blow every square yard of that territory to pieces and advance without such a terrific loss of life." and there, gentlemen, is your shell story.

Now, the second thing that makes that a new war of the terrain is the enemy strength. You and I have been waiting for Germany to run out of manpower. General Eisenhower told us there were six million German troops under arms today. There are some eight hundred thousand on the western front. Where did they come from? It is an enormous army of boys and farmers and old people and young people, many of them called Volks Grenadiers, who suddenly sprung into being when Germany found herself back at her border. I suppose it had all been planned. This great army, although they are inferior troops, is quite as strong on that defensive front as any other.

I forgot to say that that defensive line is a magnificent place from which to launch a counterattack because your inferior troops can hold the line, can hold that great defensive position while your better trained troops can spring out of the woods and on our side of the line are the rolling farms of France and Belgium which are beautiful places to fight an attack.

The third point I want to make is enemy morale. You and I again have been waiting for the home morale to crack. General Eisenhower has said there is no indication of a crack, that the home morale is better today than 18 months ago, that every German today is under tight control with a gun at his kidneys doing exactly what he is told and there seems to be no movement underground to overthrow this ruling class and stop this war.

Germany's Supplies and Armor

The fourth thing I want to mention is enemy materials. I thought Germany was desperate for materials. She is short of oil and operating only one-fourth of what she should operate on with her air force. She has gone to horse transportation behind the lines. Take one item, copper. We said three years ago, "They have no copper. You can't fight a war without copper." But in the little town of Spa, not far from the German lines, the old fashioned copper bathtubs are all there just as they have been in the baths. Wouldn't an enemy desperate for copper have stolen that copper long before this if they were desperate for it?

And we thought Germany was starving to death. Not yet are Germans hungry. There are signs. It is getting bad but certainly the food that we saw in France and Belgium would have been raided long ago if Germany was desperate for food. My fifth point is resourcefulness. Germans are an extremely capable and ingenious mechanical race. There is no sign of any of this ingenuity lagging. Take the V-1 bombs that have been belittled. They were coming over at the rate of one every ten minutes into one city when we were there going overhead just 700 feet. You feel almost as if you could reach them. They are like sputtering motorcycles. They are a little airplane with a ton of explosive and on top a thing that looks like a black cannon spitting out ten feet of flame behind it and going bang, bang, bang, with such repercussion that loose window panes below are often cracked from the vibrations. They are accurate enough to drop within the area of a city. They raise hell with the civilian population and the civilian laboring class won't work while they are coming in.

Take the V-2, that extraordinary rocket that goes way up into the stratosphere — an extraordinary development, Americans said it couldn't be done. A ton of explosive put on top of this rocket which leaves the ground. You just set it up on its tail and away it goes: in 58 seconds its propulsion is all over and it is lost in the stratosphere and four minutes later it is down in some city two hundred miles away and its work is all done. It opens up a whole field of possibilities.

While we were there, we heard about six and eight-inch armor plate on the German tanks and I was interested to see that that was one of the surprises of this recent drive. They came through the line with eight inches of armor off of which our shells bounced like snowballs and that was one of the difficult things of this German drive. We have to shoot them from the side to get them and the German aviators pierce any armored tank we have. Jet propulsion is appearing in many forms. General Eisenhower said, "It is true if we don't get jet propulsion before Germany gets into mass production, we will be at a great disadvantage."

Jet propulsion offers an astounding field. Picture a little fighting ship leaving the ground and climbing 30,000 feet in one minute. Take your watch out—it is nearly five miles. Some of them only fly five minutes but you don't need to fly long at that rate right up into the belly of our aircraft.

Take the foot mine. It is one of the most ingenious new weapons of this war. We haven't heard enough about it. It is a little plastic wood mine that blows a fellow's foot off. Thirty-one boys went into the woods when we were up at Aachen and 16 came back with their legs gone from these nasty little mines planted by the millions, making it difficult to advance. General Hodges said, "You have got to give me so damn many shells I can spring those mines by shell fire instead of sending American boys in and doing it with human flesh."

Number 6, leadership, perhaps the most important of all. When our drive ended at this line, all signs of generalship by intuition stopped and ceased. An extremely brilliant leadership appeared and the forces that were driven back were rearranged with great skill and great speed and they took up their positions on the line.

There is evidence that we are up against the world's best generalship today and you know that smart generalship with even less resources can prolong a war month after month. What conclusions can we draw from these observations? That a new war has started, a new war that presents the most bloody and serious picture that American troops have been faced with and for us coming from a complacent and optimistic home front, it was a serious blow. It sobered us. We thought of America where millions of tiring war workers — one million people left their war work in the last 90 days in America, the home front degenerating because we don't know what is going on over there at the front.

Danger of Over-Optimism

Didn't Germany count on this? Didn't she tell us that we were a short-lived, optimistic people that wouldn't last out? And we read at home here how managers and workers alike read the paper and run the home front by intuition, question every order. Whenever the needs of war are changed, we all bellyache and want to know who made a mistake, not realizing that the requirements of war are dictated by enemy decision, by terrain, by the fortunes of war as it develops.

Censorship

Let's cut out running the home front by intuition. You asked me how long the war will last and I will tell you what an American high general answered to that question. "We can sit before this line one month, two months, six months, nine months, 12 months, and there we can sit until we are willing to spend an enormous quantity of human life, or enormous quantities of war material, and while we sit there defensively waiting and deciding what to do, awaiting to get our shells, the Germans are in a beautiful position to run these counterattacks

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"Report from the War Front"

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and thrusts out and keep us always off center there."

Why aren't the American people told this? Why don't they get this picture? What is the matter with the censorship which keeps us in semi-ignorance? Why don't we have the truth and realism? The American people are best when they are in adversity. With the facts, there would be no manpower problem today. Mother would go back into the factory that she left last month. Labor would do its part.

We had a press conference in Paris and I said to these 50 or more correspondents, "What is the matter with you fellows? I read your stuff but I got no such picture at home as I am getting here." Every man rose and pounded the desk and said, "Don't you blame us. It is that damn idea that the Americans must only be told the little Pollyanna stuff."

Very quickly let me give you a few incidents of our trip from there to the front. We left General Bradley and went up to see General Hodges, who took us up to the front. We saw a V-2 launched. You don't see them come down, and few people see them go up, because it is all over in 58 seconds, but standing at the roadside looking toward the German line suddenly a column of vapor rose slowly and faster and right off disappeared into the blue and another one of those strange things had been fired maybe 12 or 15 miles away over our heads at some city behind the line.

We spent several nights at a little town at the front with the V bombs going over every few minutes, giving us an idea of what a dirty, killing, vicious, fiendish thing war is. We began to learn again, to see some of the things we learned about. General Hodges met us; a quiet man, all surrounded by organization. He told us the difficulty with the weather. The worst weather they have had in 50 years, bombing only a few times a week instead of two out of three times, depending upon heavy shell fire rather than bombing close to the trooops because too many bombs have fallen on our own lines. You see, it is not all happy in this war. We went up to Aachen. What a city it was, a completely wrecked city. Let me tell you what happened there, because it again answers the shell question. Our Army stood before Aachen, they surrounded the city. A young American with a white flag and jeep went down into the city and said, "You are licked. You better surrender or pull out." Any reasonable enemy would have pulled out, but word came back from headquarters in Germany, "Delay them a week; delay them a day, an hour; give us time to set up this new war that we are planning. Hold the city." And so our generals were faced with that old decision, American life or shells. Take your pick. And we are fighting the war to preserve life, and so we started the greatest shell fire on that city that has ever been fired on any spot in the world probably before. Three hundred thousand one hundred and fifty-five millimeters were put on one part of that city, and when that barrage lifted, a few American boys went in there and found a dazed and dying enemy; very little loss of life; and we took the city, but it used up our stock and reserve of shells. What used them up? Not our decision, but the enemy's decision, and that is why in this war we must be flexible on the home front and change our production to whatever they need depending upon the decisions of the enemy.

War Wounded and Hospitilization

We went on from Aachen, where we saw the hell of the foot mines, to a hospital position. Let me quickly tell you that story, because is is a bright spot in the war.

A thousand beds under tents in a field that had been mud 60 days before; bright American girls, all mud up to their knees, operating 24 hours a day, right within distance of gunfire from the front. Then they all were using the scientific developments that we produced to kill people with to save people. Then we were taken over to a great airport. We saw a sight that thrilled me. We have discovered in this war that the greatest ambulance ever invented is the aircraft.

Picture the top of a hill, an airport in which steel is laid down on farmland and the mud is oozing up through the holes in it. Picture 55 great DC-3's, the airplane that you know in our transports working at home, lined up nose to tail, and up the hill comes a thousand men in litters, in ambulances, four in an ambulance, six ambulances backing up to an airplane, twenty-four boys loaded in ten minutes into one of these great transport carriers. There is a nurse on there, a medical man on there to take care of them in their flight to England. In less than three hours one thousand boys were evacuated from the horrors of that front, and in a hundred and twenty minutes dropped down into warm, comfortable beds in England. There has never been anything like that in the world. It opens a little preview to what is going to come after this war when we turn our scientific developments to good rather than to killing. I was proud of the medical corps and the work it is doing and proud of our aircraft industry at the sight.

We caught another interesting one on the way. We saw psychological warfare called hog calling. Every army has it. They have a big truck all fixed up with everything for talking to the enemy, and an ex-German gets on the radio and tells the German boys if they surrender we will take care of them. That was very interesting to me. I must pass on, however.

During this trip we saw our planes go over the German lines with the fireworks display of flak going up. We saw a German fly over us and drop his bomb behind us, and then the flak chased him back, and we came to a little story I want to tell. We came to a 240-millimeter gun position.

Army Morale

I want to leave this story with you because it filled me with confidence and pride in the stuff that is in the American boys. If you picture coming up a road all mud, turning off a little old stone farmhouse, a hollow down here and under camouflage a great ten-inch howitzer and over here the truck that pulls it and hidden behind the barn was the carrier with rubber tires that hauls the damn thing around. All around was hay laid so that you couldn't walk anywhere without going in up to your knees. The walks are just hay laid on the ground. We got out of our cars and outran about 35 American boys, and they were all bright-eyed and eager. They were dressed in open collars, some with boots on, some with overshoes, some with hats, some without—just a lively bunch of American boys recruited right over here in Brooklyn. The sergeant was a big, tall Italian, and there were short and tall and fat and thin boys. They were full of wisecracks.

They gathered around so glad to see us. "So you came all the way from America." "Great stuff." "How are things at home?" "Sure, we are doing a job." "Yes, we have been here five weeks." "No, we can only fire three shells a day." "Hell, ain't it?" "Why don't they let us fire the damn gun?" Just breezy American boys. Then the order came, "Prepare to fire the gun." This bunch were electrified. They jumped to their positions. Over here were the shells, the powder, and boys sighting the gun. We watched with fascination. The order came to ram home the shell. Picture six of them on this long pole and they shoved that shell in until I thought it was going right through the gun and out the nose. Then they aimed the gun and the order came to fire that shell, and it was away at a target 12 miles away, a bridge behind the German lines.

Then they gathered around us and we talked to them. "Do you get good food, boys?" "Sure." Then a little, pink-faced lad said, "Yes, we get bundles from home." And they all laughed. You wonder what the American boy is thinking about. I said, "Fellows, gather around now. What is the thing you want most in the world?" I was trying to get into a postwar discussion. I said, "Fellows, what do you want more than anything in the world?" They all said "To fire that goddam gun." (Laughter:) I said, "Sure, fellows, I know that. That is great. You are doing your job, but what is the second most important thing in the world? You see, here at home we are great people for trying to think what the other fellow is thinking about and neglect our own thinking. What is the most important thing next to that?" They said, "We want to know what the hell we are shooting at."

I said, "That is good. You are good soldiers. Fine. Let's get on to my argument. What is the third most important thing you want?" "Well," they said, "we want them to telephone back and tell us if we hit the damn target." (Laughter.)

Just brezzy, bright American boys. Yes, concerned about reconversion talk, concerned about this damn scramble at home, to get out of industry into the soft jobs. Somebody told me today 105 women in a war factory had their work changed and 88 went home because they said the end of the war has come. We are going back to the hair-dressing shop. Yes, they are concerned about that. They told us a reconversion story. They said that they had a colored boy driving a gas truck. He heard all about this home reconversion, so he sold his truck and his gas and uniform for a million francs and beat it into Paris to get reconverted.

When it came time to leave, one of these fat, pink-cheeked fellows from Indianapolis came waddling up and pulled out a big roll of marks. We pay them in marks in Germany. We were in Germany, up near Durik. He peeled off a 50-mark from the roll and said, "Tain't no good. Hey, buddy, when you go through Indianapolis, have a drink on me!" (Laughter).

Don't worry about the American soldier. Don't worry about what he is thinking about. Let's get our home front back on the job again so that the doughboy doesn't worry about us.

Just to close, we came back quickly to Paris. We had a nice dinner and a long visit with General Eisenhower. He told us his plans. He told us of the horrors of D-Day. He told us of those six days when we didn't know if we could hold a foothold on the shores of France. We were impressed by his seriousness, his stick - to - the - job determination and his job of crushing the enemy. He says, "I am just going to crush that enemy and my work is done."

We saw all of this Communistic unhappiness, this hatred, all the problems of this war begin when General Eisenhower's work is done in the Army, but he said, "I will stick to my job and get it done." He reaffirmed the pledge to fight a war of material rather than lives. He told us of the great needs ahead for material. He told us of his pride in the American boy. How he likes to go to the front, pick one out and walk and talk with him and how invariably the conversation comes to what General Eisenhower called "the spiritual," or call it what you may—in other words, the boy is thinking hungrily for assurance that we know he is over there; that we are not letting him down. "Don't worry about the soldier," said General Eisenhower, "just back him up."

So gentlemen, we came away impressed by his grasp of the situation. We thank God the American boys are in the hands of men of character and understanding. We thought back of the home front where everybody is so sure that Germany is cracking up and this is the last attack and the war is about over, quite ignorant of the bombshelling that is on in Europe and the war that our boys are fighting, quite ignorant of the stuff that is left in our enemy. We solemnly pledged ourselves to come home, to bring you this message, to demand realism and frankness and truth in our censorship so American people can get this sordid picture; to travel up and down this land and tell you and all men that America has a war on its hands and it is time to re-enlist in that war and get it over with. Thank you, gentlemen. (Standing applause.)

French Chamber Says Crawford Errs on France

Jean Ravaud, President of the French Chamber of Commerce of the United States, Inc., in a letter sent on Jan. 8 to Frederick C. Crawford, former President of the National Association of Manufacturers, said that Mr. Crawford's remarks about France made on Jan. 4 before the Chamber of Commerce of the State of New York, had "deeply shocked" members of the French Cabinet, according to the New York "Times" on Jan. 9, from which we also quote:

"Regarding your statement, 'A fine conservative Frenchman I had known for years told me that if it had gone on a year and a half more, he believed the French working people would have settled for things as they were,'" wrote Mr. Ravaud, "we refuse to believe that any Frenchman with true patriotic sentiments could make a remark of this nature. Mr. Crawford, your friend is not French.

"You speak about the prosperity of France under German rule. As a business man, you should know that inflation in any form always has the feigned appearance of prosperity.

"Your misstatement that France greeted the American invasion with a cold shoulder' must surely delight the criminals of Berlin. The patriotic and enthusiastic welcome given by the French to the Allied troops during the triumphant days of the liberation not only makes your statement an insult to the truth, but discredits the sacrifice of French and American lives.

"Your disparaging references to the French underground have aroused the indignation of people everywhere who know of the wonderful achievements of the underground movement in France during the German occupation."

The Bretton Woods Proposals Versus Alternatives

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in faith."[20] It is a venture in faith which will succeed if the Bank is given competent and independent management. It is a venture in faith which will succeed if the Bank is free from log-rolling political influences. It is a venture in faith which this country can accept if it is convinced that the United Nations will find a basis for political co-operation in the postwar period and if it is convinced that trade barriers will be removed so that international trade will rise to high levels and borrowers will be enabled to repay sums borrowed. From a logical point of view the proposal for the Bank would follow the adoption of an international security organization and a general reduction of trade barriers.

If the proposal for the International Monetary Fund is rejected, certain changes logically follow in the Articles of Agreement of the Bank and still other changes should be made to improve those Articles. All sections linking the Fund to the Bank would be eliminated. The capital subscriptions to the Bank's own loan fund (Article II, Section 7 (i)), which now may be paid largely in local currencies, might take the form exclusively of gold or United States dollars. This change would not involve undue hardship on member nations[21] and would constitute an acid test of their faith in the new enterprise. Furthermore, the Bank should be free to lend at its discretion all of the currencies it possesses and such currencies should be free from all controls and restrictions.

Still another change, proposed recently by Professor Williams, provides for the establishment of an exchange stabilization loan department.[22] This department could be under the direction of a committee of central bankers which would stand ready to advise the Bank on specific requests for stabilization loans. Such loans would be amortized over a definite period of time and should be granted only if the borrowing nation had put its financial house in order. If thought advisable, a definite amount of the paid-in capital of the Bank, could be assigned to the stabilization department for its own use. Besides facilitating stabilization loans, the proposed department could serve a very useful function in gathering international monetary data, in making studies on credit and monetary problems and in providing a meeting place for central bankers to discuss problems of mutual interest.

Alternative to the Fund

The alternative to the Bretton Woods proposal for an International Monetary Fund is not chaos. The Fund itself offers no solution to international monetary problems. An alternative approach to the question of international exchange instability would attempt to solve the basic problems left untouched by the Fund and to provide solutions which, in the light of past experience, would prove long-lasting.

Such a program, embodying the suggestions of many critics of the Monetary Fund, would comprise the following steps:

1. The rejection of the International Monetary Fund, as unworkable and unsound.
2. The immediate convening of an international trade conference to consider such questions as tariff barriers, import prohibitions and quotas, preferences and discriminations,

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[20] Feis, Herbert. "The Sinews of Peace." New York: Harper and Brothers, Publishers, 1944, Chapter 17.

[21] Particularly as member nations would not have to meet their gold and dollar payments to the Fund.

[22] Williams, John H. "International Monetary Plans: After Bretton Woods." *Foreign Affairs*, October, 1944.

export prohibitions and taxes, export and domestic subsidies, state trading monopolies, simplification of customs procedures, unfair competition, international cartels, double taxation and the equitable treatment of foreign capital.[23]

Only if a constructive solution is found for these different problems will international trade be stimulated. Only if barriers to international trade are removed will nations be justified in encouraging capital exports, for only then will debtors be able to repay their debts.

3. If the trade conference has proved a success, this country should lend its assistance in the solution of the postwar British exchange problem. This problem is crucial and must be solved, if a multilateral system of payments is to be revived and exchange controls eliminated. To assist in its solution, the United States should be prepared to give a substantial grant-in-aid to Britain, totaling perhaps $3,000,000,000, for the purpose of financing her passive balance of payments during the transition period.[24]

This approach to the exchange problem—the extension of direct aid in substantial amount to Britain following the successful conclusion of a trade conference—has by its advocates been termed the "key-nation" or "key-currency" approach. It is predicated on the firm conviction that the "key-currencies" must be stabilized first, if the world is to return to stable exchanges. Just as the "key-currencies" initiated the great currency depreciations of the 'Thirties so they must lead the way back to currency stability.

The advocates of the International Monetary Fund have dubbed the "key-currency" approach as anti-democratic and as "a dictatorship of the world's finances by two countries." This attitude ignores the basic problems involved in currency stability and ignores the fact that postwar currency stability like political stability rests upon action by "key-nations." The stabilization of the dollar-pound rate will enable those nations possessing dollar exchange and those possessing sterling exchange, and there are many in each class, to link their currencies to the two "key-currencies."

4. As a further important contribution towards international monetary stability, the United States would cancel World War I debts, repeal the Johnson Act of 1934 and stand ready to accord a very generous treatment in the settlement of Lend-Lease assistance given in World War II.

5. The United States could accept membership in the International Bank for Reconstruction and Development, following a successful termination of the trade conference and a solution of the British exchange problem. As suggested earlier its charter should be amended in order to require that payments on account of paid-in capital take the form entirely of gold or dollars, that all gold and currencies possessed by the Bank be free of exchange controls and restrictions, and that an exchange stabilization loan department be added.

6. Still another step to be taken by the United States, closely related to the previous one, is the formulation of a constructive and well-integrated foreign lending policy. This is essential if we, as the creditor nation of greatest potential power in the postwar period, are to exercise a stabilizing influence on international economic relationships.

We will not prove a stabilizing influence if we are to follow recent advice and export capital for the purpose of maintaining the present volume of export trade, which, according to advocates of this policy, must be maintained, if we are to experience full employment.

Capital exports should never be viewed in the light of "make work" proposals. The huge capital exports needed to maintain wartime export levels would, as our citizens became aware of the waste involved, be abruptly terminated. The consequence of exporting too much at one time and too little at another would make us a very unsettling factor in international finance.

Foreign dollar loans whether extended on public or private account should be confined to uses which will enhance the export ability of the borrowing nation and its power to acquire foreign exchange for repayment. Foreign dollar loans should not exceed the capacity of the foreign nation for productive utilization of the funds borrowed. They should supplement and not supplant domestic capital accumulation. To look upon capital exports as a means of maintaining full employment in this country is to render our foreign borrowers a great disservice.

The formulation of a constructive foreign lending policy would give fullest scope to the private market and to private lending institutions. Public funds should not be extended where private funds can be made available. Public funds should be used solely to meet marginal credit requirements.

Private foreign lending, including direct investment, will revive in the postwar period if suitable political and economic environments are created. Every effort should be made to revive direct investment, since past experience has demonstrated that direct investment is the particular type of capital export which is employed most productively from the point of view of debtor nations and which has adjusted itself most readily to changes in economic conditions and in balances of payments.

The formulation of a constructive foreign lending policy would also strive to budget the amount of public funds to be loaned directly or indirectly and to integrate the projected activities of the International Bank for Reconstruction and Development with those of the Export-Import Bank and other governmental agencies. The lending and guarantee powers of the International Bank are so large that it would seem able to meet all credit requirements which cannot be met privately until more normal conditions reassert themselves.

7. One of the greatest contributions which this country can make in the postwar period to world currency stability is to provide a dollar in which other trading nations can have complete confidence. To inspire such confidence, the dollar must be free of foreign exchange controls, must be redeemable in gold and its quality must not be further impaired by a postwar continuation of deficit financing.

The road back to sound currencies and to stable exchange rates, following the termination of hostilities, is fraught with many difficulties. We must not expect the problem to be quickly solved. It was not quickly solved after the Napoleonic wars nor after the first World War. To be aware of the difficulties of the problem, however, constitutes the first step in its solution. The problem involves the checking of internal inflation, the removal of barriers to international trade, the solving of the British exchange problem, caring for the needs of the transition period and the extension, on a conservative basis, of foreign long-term credits. The United States can and must make an important contribution towards the solution of these many questions. Our greatest contribution will consist in the establishment of a dollar of unquestioned strength and in a substantial reduction in our tariff rates.

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[23] See "World Trade and Employment." Report from the Advisory Committee on Economics of the Committee on International Economic Policy, June 28, 1944.

[24] Aldrich Winthrop W. "Some Aspects of American Foreign Economic Policy." An address before The Executives' Club of Chicago, September 15, 1944.

Speculative Potentialities

Boston & Maine Income 4½s of 1970 offer interesting potentialities, according to a circular issued by McLaughlin, Baird & Reuss, One Wall St., New York City, members of the New York Stock Exchange. Copies of this circular may be had from the firm upon request.

Interesting Situations

Public National Bank & Trust Co. and National Radiator Co. offer interesting situations according to analyses prepared by C. E. Unterberg & Co., 61 Broadway, New York City. Copies of these analyses are available for dealers only on request to C. E. Unterberg & Co.

Calendar Of New Security Flotations

OFFERINGS

AMERICAN PHENOLIC CORP. has filed a registration statement for $1,500,000 5% 15-year convertible sinking fund debentures due in 1959 and 345,000 shares of common, par $1 per share. The common stock is issued and outstanding and will be sold for the account of Arthur J. Schmitt, President and Director. Company will use proceeds of debentures for working capital. Filed Dec. 6, 1944. Details in "Chronicle," Dec. 14, 1944.

Offered Jan. 15, 1945, the debentures at 100 and interest and the stock at $10 per share.

GENERAL AMERICAN INVESTORS CO., INC., has filed a registration statement for 220,000 shares of common stock (no par). The shares are issued and outstanding a do not represent new financing by the company. Filed Dec. 19, 1944. Details in "Chronicle," Dec. 28, 1944.

Offered Jan. 3 by Lehman Bros. and Lazard Freres & Co. at $13⅛ per share.

PHILIP MORRIS & CO., LTD., INC., has filed a registration statement for 199,847 shares of 4% cumulative preferred stock, $100 par, and subscription rights for like amount. Company is offering to holders of common stock of record Jan. 15 rights to subscribe for 199,847 shares of preferred stock at $105.50 per share at the ratio of one share of preferred for each five shares of common stock held. Subscription rights will expire at 3 p.m. Jan. 29. Company also offers, subject to the subscription rights of common stock, to the holders of its outstanding 4¼% and 4½% preferred stock the right to exchange their shares of old preferred stock, share for share, for the new cumulative preferred stock, plus a cash adjustment. The exchange offer provides for payment by the company of $1.50 per share with respect to each 4½% preferred share exchanged, and in the case of the 4¼% series provision is made for the payment by the exchanging stockholder of $1.50 per share, representing the differences between the call prices and the offering price of the new stock. Such shares as are not issued under the subscription and exchange offers will be purchased by underwriters and offered to the public. Net proceeds from the sale of shares not issued in exchange for old preferred stock will, to the extent necessary, be devoted to the redemption of the old preferred stocks. The old preferred stocks are to be redeemed in March, 1945, at $104 per share and dividends for the 4¼% preferred and $107 and accrued dividends for the 4½% preferred. Any balance of proceeds will be added to the general funds of the company. Lehman Brothers and Glore, Forgan & Co. head the underwriting group. Filed Dec. 27, 1944. Details in "Chronicle," Jan. 4, 1945.

UNIVERSAL CAMERA CORP. has filed a registration statement for 50,000 shares of 80-cent cumulative dividend preferred stock, par $5 per share. As to 25,000 shares being offered the public the offering price is $10 per share, and as to 25,000 shares being offered New York Merchandise Co., Inc., the price is $8.75 per share. Proceeds will be used for general corporate purposes. Filed Oct. 24, 1944. Details in "Chronicle," Nov 2, 1944.

Offered Jan. 16 by Floyd D. Cerf Co., Chicago at $10 per share.

WEATHERHEAD CO. has filed a registration statement for 20,000 shares of $5 cumulative preferred stock (no par). The net proceeds will be applied to $1,600,000 outstanding promissory notes dated May 1, 1944, payable to banks. This amount was borrowed to assist the corporation in financing war production and the termination thereof. The balance of the proceeds will be added to general funds and may be used in connection with conversion from wartime to peacetime operations and the development of company's peacetime business. The underwriting group is headed by Merrill Lynch, Pierce, Fenner & Beane. Filed Dec. 23, 1944. Details in "Chronicle," Jan. 4, 1945.

Offered Jan. 16, 1945 at $97.50 per share plus dividend.

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

THURSDAY, JAN. 25

SOUTHWESTERN PUBLIC SERVICE CO. has filed a registration statement for $17,500,000 first mortgage bonds, 3⅛% series due 1974, and 50,000 shares of cumulative preferred stock (par $100). Holders of outstanding 6½% cumulative preferred stock will be given the opportunity to exchange the shares of old preferred stock for shares of new preferred on a share for share basis. Consummation of the exchange is subject to the authorization of the new preferred by common stockholders, purchase by the underwriters of the $17,500,000 new 3⅛% bonds and of such shares of new preferred as are not issued in exchange for old preferred. Net proceeds from the sale of bonds and preferred stock if all is not issued in the exchange offer with proceeds from sale by the company of its interest in its former subsidiary, Gulf Public Service Co. and of certain other properties, amounting in the aggregate to $4,875,763, and general funds of the company will be used to redeem at 110½ and interest $20,000,000 outstanding first mortgage and collateral trust bonds, and to redeem at $110 per share and accrued dividends outstanding shares of preferred stock not exchanged for the new preferred stock. Dillon, Read & Co. is expected to head the underwriting group. Filed Jan. 6, 1945. Details in "Chronicle," Jan. 11, 1945.

MONDAY, JAN. 29

DELTA AIR CORP. has filed a registration statement for 102,424 shares of common stock (par $3).

Address—Municipal Airport, Atlanta, Ga.

Business—Air carrier of passengers, mail and express.

Offering—The offering price to the public will be filed by amendment.

Proceeds—Expected to be used in the acquisition of additional flight, communications and other equipment, the construction of hangars, the purchase of machinery, and other facilities in connection with its present routes, and such new routes as may hereafter be acquired or participated in by the company.

Underwriting — Courts & Co., Atlanta, Ga., is the principal underwriter, with names of others to be filed by amendment.

Registration Statement No. 2-5562. Form S-2. (1-10-44).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

ALVA PUBLIC TERMINAL ELEVATOR CO. has filed a registration statement for $250,000 10-year 6% subordinated sinking fund notes, due 1954. Proceeds will be used for the purchase of the real estate and the construction of a one million bushel elevator, with a three million bushel head house. To be offered mainly to people in the Alva, Okla., community who are interested in construction of the grain elevator. Filed Aug. 8, 1944.

ARKANSAS-MISSOURI POWER CORP. has filed a registration statement for $2,000,000 first mortgage bonds, series A, 3⅛%, due Dec. 1, 1974. Proceeds together with general funds of the company to the extent required, will be used to redeem, at 105, of $2,350,000 first mortgage bonds, series A, 4%, due June 1, 1965, of the company. The bonds will be offered for sale at competitive bidding. Filed Dec. 4, 1944. Details in "Chronicle," Dec. 7, 1944.

CANADA DRY GINGER ALE, INC., has filed a registration statement for 50,429 shares of cumulative preferred stock (no par). Dividend rate will be filed by amendment. The shares are being offered for subscription to the holders of common stock at the rate of one share of preferred for each 12 shares of common held. It is anticipated that in connection with the continuation of the expansion program commenced by the company in 1936 the net proceeds of the stock, together with other funds of the company, will be used for the establishment and acquisition of additional plants and warehouses, the purchase of new machinery and equipment for the proposed new plants, the purchase of additional delivery equipment, for the improvement and rehabilitation of existing plants, etc. Union Securities Corp. and Hornblower & Weeks head the underwriting group.—Filed Dec. 22, 1944. Details in "Chronicle," Dec. 28, 1944.

CAPITAL TRANSIT CO. has filed a registration statement for $12,500,000 first and refunding mortgage bonds, series A, 4% due Dec. 1, 1964. The net proceeds from the sale of the bonds and from a $2,500,000 bank loan with treasury cash will be used for refunding purposes and to make payments on account of equipment purchases, etc. Filed Nov. 10, 1944. Details in "Chronicle," Nov. 16, 1944.

Issue awarded Dec. 18 to a banking group headed by Alex. Brown & Sons at 97½. The SEC on Dec. 21, 1944, refused to release jurisdiction over the issuance, declaring that the Commission was not satisfied that competitive conditions had been maintained.

CENTRAL OHIO LIGHT & POWER CO. has filed a registration statement for 11,972 shares of preferred stock, cumulative ($100 par). The dividend rate will be filed by amendment. The company proposes to invite proposals for services to be renedered to it in obtaining acceptances of the exchange offer of new preferred stock for old preferred, and for the purchase from it of such of the 11,972 shares as are not exchanged pursuant to the exchange offer. The 11,972 shares of new preferred are to be issued to retire the outstanding $6 preferred shares. The exchange offer is to be on a share for share basis plus a cash adjustment. Company will call for redemption the unexchanged shares, subject to the consummation of the sale to underwriters of the stock to be sold. The proceeds from such sale will be applied in part to the redemption of any such unexchanged shares. The redemption price of old preferred stock will be $110 per share plus accrued dividends. Filed Dec. 28, 1944. Details in "Chronicle,," Jan. 4, 1945.

COASTAL TERMINALS, INC. has filed a registration statement for 25,000 shares of common stock (par $10). Proceeds will be used for the acquisition of land, equipment and for working capital. Price to public $10 per share. Not underwritten. Filed Sept. 20, 1944. Details in "Chronicle," Sept. 28, 1944.

COLUMBIA PICTURES CORP. has filed a registration statement for 7,880 purchase warrants for common stock and 21,013 shares of common stock, without par value. Samuel J. Briskin, Hollywood, Cal., and A. Schneider, New York, are named underwriters. The price to public is estimated at $13.375 for the warrants and $21 for the stock. The shares of common stock covered by the prospectus are issuable upon the exercise of purchase warrants at any time prior to their expiration date. The entire proceeds from sale of the warrants will be received by A. Schneider, the holder of the warrants. He is treasurer of the corporation and a director and vice-president. Filed Dec. 22, 1944. Details in "Chronicle," Jan. 4, 1945.

DUREZ PLASTICS & CHEMICALS, INC., has filed a registration statement for 73,208 shares of common stock, par $5. Company is granting to holders of its common stock of record at close of business Dec. 27, 1944, rights to subscribe to 73,208 shares of common stock at $29 per share in ratio of 100/583rds of a share for each share held of record. Company has entered into an agreement with the M. A. Hanna Co. of Cleveland, O., to purchase for its own account for investment purposes only all of the 73,208 shares, or such part thereof as shall not be purchased by stockholders, at the same price at which they are being offered to the stockholders. Net proceeds will be used to provide additional funds to enable the company to participate in the developments which it is expected will take place in the plastics and chemical industries upon the return of peace. Filed Dec. 27, 1944. Details in "Chronicle," Jan. 4, 1945.

EDWARD G. BUDD MANUFACTURING CO. has filed a registration statement for 297,500 shares of common stock, (no par). The shares registered are to cover options which were issued by the company on Jan. 3, 1944, to 163 of its administrative and executive officers and employees to subscribe to an aggregate of 299,500 shares of common stock, the options varying from 300 to 58,440 shares.

The options are exercisable at $7.50 per share, being 125% of the market price of the stock on Jan. 3, 1944 as evidenced by the last sale of the stock on the New York Stock Exchange on that day. Options are good for five years from Jan. 3, 1944. Since the issuance of the options two persons holding options to subscribe to 2,000 shares have resigned from the employ of the company and forfeited their options. Filed Dec. 14, 1944. Details in "Chronicle," Dec. 21, 1944.

EXCESS INSURANCE CO. OF AMERICA has filed a registration statement for 48,981 shares of capital stock (par $5). Shares are to be offered for subscription to present stockholders of record May 31, 1944, on a pro rata basis at $8 per share. Net proceeds will be added to company's capital and surplus funds. Unsubscribed shares will be sold to Lumbermens Mutual Casualty Co. for investment. Filed May 29, 1944. Details in "Chronicle," June 8, 1944.

FLORIDA POWER CORP. filed a registration statement for 40,000 shares cumulative preferred stock (par $100). The dividend rate will be supplied by amendment. Net proceds from the sale of the new preferred stock, together with additional funds from the treasury to the extent required, are to be applied as follows: Redemption of 28,762 shares 7% cumulative preferred at $110 per share $3,163,820; redemption of 5,940 shares of 7% cumulative preferred at $52.50 per share $311,850; donation to Georgia Power & Light Co. to be used for redemption of certain of its securities as provided in recap plan of that company $1,400,000; payment to General Gas & Electric Corp. for 4,200 shares of $6 preferred of Georgia Power & Light Co. $75,600, and expenses $80,000, total $5,031,270. Stock is to be offered for sale by the company pursuant to Commission's competitive bidding Rule U-50, and names of underwriters will be filed by post-effective amendment. The succesful bidder will name the dividend rate on the stock. Filed July 21, 1944. Details in "Chronicle," July 27, 1944.

(This list is incomplete this week)

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"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

Last week was one of the most sensational periods of the Government bond market, and every obligation in the list advanced with many of them at all-time highs since they were issued. . . . The partially exempt securities were again the featured performers and the last four maturities registered the sharpest gains with the 2¾% due 12/15/60/65 advancing ⅝ of a point, which is a substantial gain for a Government obligation. . . . The long-term partially exempts are now selling at all-time highs having gone through their previous tops during the week. . . . The following table shows the price and yield on these securities now compared with the former high levels made in 1943:

Security—		Previous Highs July 1943	Tax Free Yield	Present Highs	Tax Free Yield
2⅞%	3-15-1955-60	112.28	1.39	113.8	1.23
2¾	9-15-1956-59	112.13	1.42	112.24	1.30
2¾	6-15-1958-63	112.13	1.50	112.24	1.41
2¾	12-15-1960-65	112.28	1.58	113.8	1.50

FROM NOW ON

There have been no predictions made in Government bond circles, as to the extent of any further rise in these securities, although at present levels the market is being watched very carefully for a top formation or news or developments that could change the present situation. . . .

However, it was pointed out that with the exception of the 2¾% due 12/15/60/65, the other partially exempts are selling at or above their yield curve which means that these issues do not have the same appreciation possibilities from here on as is embodied in the longest partially exempt issue. . . .

Accordingly it has been recommended that if one must go into the partially exempt obligations at this time, the issue considered to be the most attractive is the 2¾% due 12/15/60/65, which even at present level of 113 is well under its top levels in the yield curve. . . . Some of the larger institutions it is reported have been moving out of the intermediate term partially exempts into the 2¾% due 12/15/60/65. . . .

Also it is indicated that the 2⅞% due 3/15/55/60 are being sold and the proceeds reinvested in the longest term partially exempt issue. . . .

Although there is a lengthening in the maturity by this exchange of five years and nine months, the increase in yield after taxes of 0.27 is considered attractive enough to compensate for this factor. . . .

TAXABLES ALSO STRONG

The taxable issues also showed substantial gains last week with the 2½% due 3/15/56/58 and the longer 2½s being well bought. . . . The intermediate term maturities were heavily traded with the 2% due March and September, 1950/52, the 2% due 9/15/51/53, the 2% due 6/15/52/54 and the new 2s among the most active issues. . . .

Particularly in the 2% taxable group are the institutions watching the market very closely, since many of these issues are well ahead of the yield curve. . . .

This has caused some institutions to take time out to recheck the situation since many new ideas are now appearing in the market. . . . With the debt of the nation large and certain to increase the prospects are that it may be nearer $350 billions than $300 billions when both phases of the war are over. . . . Such a huge debt makes one thing very apparent and that is, that the debt burden will not be allowed to increase, which means a low, if not a declining rate of interest. . . . The rate of interest on the national debt has been decreasing for years, as is indicated by the following table:

Fiscal Year Ended June 30	Rate of Interest
1932	3.505%
1940	2.583
1941	2.518
1942	2.285
1943	1.979
1944	†1.919

†Calendar year ended Dec. 31.

IMPORTANCE OF CARRYING CHARGES

Unlike private corporations, a Government does not have to pay off its debt at maturity to remain solvent, but only has to refund it, which can be done very readily. Therefore, the important factor in connection with a nation's debt is the debt burden or rate of interest paid on that debt. With our debt still increasing and debt charges of between $6 billions and $6½ billions to be expected when the war is over, low interest rates become a must with us. The most important factor responsible for the declining rate of interest in our country has been:

(a) The use of short term securities in financing the deficit. . . . The increasing use of Treasury bills, with a ⅜% rate, certificates with a ⅞% rate and notes with 1¼% and lower rates, have substantially reduced the cost of financing the war. . . .

There appears to be little doubt that the government will keep the floating debt large to ease the debt rate. . . . They may even reduce the maturity of future bond issues and offer the shorter term securities with a lower rate of return as the British have done.

These thoughts and facts have had a marked effect upon the government bond market and it is indicated that they have been very important in the recent rush to acquire the higher coupon obligations in the list.

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Municipal News & Notes

Decision of New York City Comptroller Joseph D. McGoldrick, following conversations with investment bankers, to increase the size of the city's forthcoming bond offering from the original figure of $50,000,000, to $75,000,000, constitutes the best possible evidence of the exceptionally favorable condition of the municipal bond market. In consequence of the change in amount of the issue, the date of sale had to be deferred from Jan. 16 to Jan. 23.

In connection with the New York City offering, it is disclosed that the two syndicates which had been expected to compete when the issue was to be $50,000,000, have decided to merge for the purpose of bidding on the larger amount.

The combined forces are headed jointly by the Chase National Bank of New York and the National City Bank of New York.

Ordinarily, groups headed by the respective institutions furnish the principal competition for New York City bond offerings. However, when the amount involved is exceptionally large, as in the present instance, it is the practice to enter one bid on behalf of the consolidated groups. This policy, it may be noted, has proved mutually advantageous to the city and the underwriters.

Prior to the New York City award on Jan. 23, there will be several pieces of financing of general market interest. Tomorrow (Thursday) Corpus Christi, Texas, will consider bids on an issue of $1,500,000 seawall and breaker bonds and on the following day the municipality of Union City, N. J., will conduct a sale of $716,000 refundings. Another New Jersey issue for the current week consists of the $322.000 West Orange refunding issue, for which tenders will be opened on Friday.

The opening day of next week (Jan. 22), the city of Pittsburgh, Pa., will place an issue of $1,500,000, also for refunding purposes. On Tuesday, Jan. 23, the New York City $75,000,000 loan is scheduled to materialize, also the city of Minneapolis, Minn., award of $2,500,000.

Aside from the foregoing, the calendar of prospective business, at least at this writing, is rather barren, except for the $560,000 New Orleans, La., issue to be awarded on Feb. 6.

We do not take into account the more than $25,000,000 of short-term housing authority borrowing announced for Jan. 30, as these issues are in the nature of bank loans.

Ohio Municipal Bond Prices Advance; Greater Market Activity Reported

J. A. White & Co., Cincinnati, reported under date of Jan. 10, as follows:

Prices are moving higher in the Ohio municipal market and activity is also improving. The yield on 20 Ohio bonds stands today at 1.33%, compared with 1.34% a week ago. Our indices of yield on 10 high grade bonds and on 10 lower grade bonds are today 1.17% and 1.49%, respectively, compared with 1.18% and 1.50% a week ago.

Otto Fuerst & Co. to Be Formed in N.Y.C.

Otto Fuerst, member of the New York Stock Exchange, and Milton D. Blauner, will form the partnership of Otto Fuerst & Co. with offices at 41 Broad Street, New York City, as of Feb. 1. Mr. Fuerst has recently been active as an individual floor broker; prior thereto he was a partner in Otto Fuerst & Co. and Maloney, Anderson & Block. Mr. Blauner was with Cohen, Simonson & Co., did business as an individual dealer, and was a partner in Blauner, Simons & Co.

Mallory Interesting

P. R. Mallory & Co., Inc., offers an interesting situation, according to an analysis prepared by Steiner Rouse & Co., 25 Broad St., New York City, members of the New York Stock Exchange. Copies of this analysis may be had from Steiner, Rouse & Co. upon request.

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Granger Elected by Harvill Corporation

Jeffrey S. Granger of Sulzbacher, Granger & Co., 111 Broadway, New York City, members of the New York Stock Exchange, has been elected Chairman of the board of Harvill Corporation of Los Angeles. W. E. Sprackling, Vice-President of Anaconda Wire & Cable Co., and Allan Burleigh, President of Harvill Processes Corporation, also have been elected directors.

The corporation makes high pressure die castings; at present for the aircraft and other war industries.

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The Financial Situation

"The management of the public debt is bound to have a profound influence on the economy for a long time to come," the President says at one point in his budget message. "Retaining high taxes on the masses of consumers for general reduction of debt held by financial institutions," he goes on to say, "may destroy purchasing power and create unemployment." But the use of progressive taxes for the redemption of bonds held by millions of individual savers may have a stabilizing influence on incomes and employment.

"I favor a policy of orderly but steady debt reduction, consistent with the objectives of long-run economic policy. The mistakes in debt management and tax policy after the last war should not be repeated."

Not to Be Overlooked

Here is one of those statements which necessarily raise the question in matriculate minds as to whether the President has more than the vaguest idea of the meaning of the sentences he is using. Yet experience has repeatedly shown that precisely such obiter dicta of the President foreshadow his policy of the future. The arguments employed in support of action suggested, moreover, more often than not crop up in the future and become a force to be reckoned with. It usually becomes evident at some later date that the President has sown well the ideas from which he hopes to harvest an abundant crop. For such reasons as these it is well, therefore, to scrutinize at once what the President has to say even though it all appears to be applicable, or likely to become an immediate issue, only in the post-war period.

Perpetually Rising Debt?

There is an apparently rather influential school of

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Putting the Cart Before the Horse

By MELCHIOR PALYI

Economist Points Out That Post-War Tax Plans, Which Aim to Create Full Employment by Reduced Taxes or Inflationary Spending Fail to Note That the Primary Problem Is Balancing the Budget. He Denies That Dividend Taxation Is Double Taxation; That Excess Profits Taxes Discourage Enterprise in an Inflationary Period; and That Excise and Sales Taxes Are Inequitable but Condemns Death Duties and Inheritance Taxes.

Freedom—From Taxation?

The idea common in most of the recent tax reform plans seems to be the same: to create full employment by reducing taxes. The logical conclusion should be that all we need to do is to eliminate taxes entirely to bring about permanent prosperity.

Dr. Melchior Palyi

This unsound economic reasoning has been used to convince the public of the necessity for radical tax reductions as exemplified by some of the arguments offered by the "Post-War Tax Plan" of the Committee for Economic Development, and the Ruml-Sonne pamphlet on Fiscal and Monetary Policy, to mention only the two most widely advertised programs of this kind.

Double-Taxation Ballyhoo

No doubt, war-time taxation is not applicable in peace time. Up to 90% tax rates, on big incomes may not be a deterrent to war production when there are no risks involved, but they are not compatible with such risk-taking as is necessary if normal business should gain momentum. That much is sound economics and needs no support by unsound arguments. But the CED and the R-S programs do not stop there. They argue, for example, that corporate shareholders suffer from "double taxation," meaning that their income is taxed first as corporate net and then as dividends disbursed. Is it possible that one could confuse "double taxation" with paying a tax in two installments? If your income from a Canadian corporation is taxed first by Canada and then to the full extent by the U. S. Treasury—that is double taxation. But if the Canadian tax is deducted from your taxable income in this country, then two taxes are levied, but there is no double taxation in the accepted meaning of the term, and that's exactly what hap-

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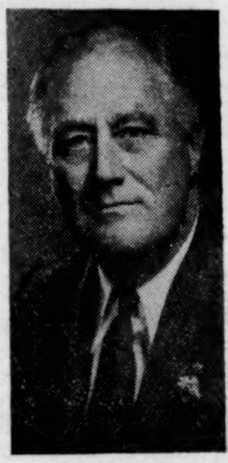
Text of President Roosevelt's Budget Message to Congress For 1946 Fiscal Year

In these columns Jan. 11, page 179, reference was made to President Roosevelt's message to Congress on Jan. 9, transmitting the Federal budget for the fiscal year 1946, and we are making room here today for the full text of the message, as follows:

To the Congress of the United States:



President Roosevelt

I am transmitting the budget for the fiscal year 1946 as fighting all over the globe reaches a climax of fury. We on the home front must back our fighting men and women to the limit. That is our supreme duty. At the same time we must look ahead. We must be ready to throw our whole effort into the campaign against Japan as fast as the war in Europe permits. And finally, we must begin plans to transform an all-out war economy into a full-employment peace economy whenever demobilization becomes possible. Programs for all these developments must be considered in budget planning for a period that extends over 18 months.

We must make sure that our armed forces can plan their procurement programs for continuing global war. I shall transmit detailed recommendations for war appropriations by early spring, in time for the Congress to act on these requests before the beginning of the new fiscal year. I estimate now that $73,000,000,000 of appropriations and authorizations will be needed for war purposes for the fiscal year 1946.

If the war develops favorably, unobligated balances of war appropriations no longer required for authorized purposes will be placed in reserve and reported to the Congress for repeal or other action under the provisions of present law.

Actual expenditures of the Federal Government depend largely on the course of the war. I have not made in the past, and I shall not now make, any prediction concerning the length of the war. My only prediction is that our enemies will be totally defeated before we lay down our arms.

Depending on various assumptions which may reasonably be made with respect to the course of the war, estimates of war expenditures for the fiscal year 1946 range from less than $60,000,000,000 to more than $80,000,000,000. I propose to use $70,000,000,000 as a tentative estimate of war expenditures for the fiscal year 1946. I repeat, however—the rate of actual spending must depend on developments on the battlefronts.

For purposes other than war, I am recommending appropriations. in general and special accounts. to cover estimated expenditures of $13,000,000,000.

Total appropriations and authorizations (including reappropriations and permanent appropriations) for war and other purposes reached a peak of $128,000,000,000 for the last complete fiscal year that ended June 30, 1944; $97,000,000,000 have been appropriated for the current fiscal year; and I estimate now that $87,000,000,000 will be recommended to the Congress for the next fiscal year.

Total expenditures for war and other purposes (in general and special accounts and net outlays of Government corporations, excluding debt retirement) were $95,000,000,000 during the fiscal year 1944; they are now estimated at $100,000,000,000 for the current fiscal year; and, on the basis of the tentative estimates of war expenditures, they will be $83,000,000,000 during the fiscal year 1946.

I propose no substantial change in tax legislation at this time. Revenues are expected to decline somewhat under the influence of the estimated decline in expenditures. The Federal debt is estimated to reach $252,000,000,000 on June 30, 1945, and $292,000,000,000 12 months later.

The 1946 budget is summarized in charts and tables following this message. In the subsequent sections I comment on appropriations, expenditures and revenues under existing legislation, and make suggestions for future legislation.

The War Program

Expenditures for the War Program

Early in the war we had the threefold task of building up a new munitions industry in this

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From Washington Ahead of the News

By CARLISLE BARGERON

Before the proposed manpower bill, including the draft of the nurses, goes through Congress, and there are few Washington correspondents who believe it ever will, there is going to develop a most interesting commentary on Washington. It is not going to make anybody very happy except, as Mr. Roosevelt says, the enemy, and there is doubt that he can get happiness out of anything we do these days.

Carlisle Bargeron

First, there is apt to come up in the hearings of Congress the fact that a few weeks after the recent election Chester Bowles wrote Marvin Jones, the Food Administrator, a letter saying that the morale of the OPA, of which Mr. Bowles heads, was shot to pieces because the OPA felt it was being given the run-around in the Washington bureaucracy. The OPA had to be given something to do, he said, otherwise his organization would disintegrate.

We can't imagine anything more disastrous than that a Washington bureaucracy should disintegrate. In the first place, it would be a tremendous phenomenon because no one of them has ever yet integrated. Aside from that, just what would be the manifestation of a bureaucracy disintegrating, say Chester Bowles' OPA, is something for better minds to speculate upon. Would these men, feeling a low morale, quit and go into the armed forces or essential industry? Just what would they do?

Nevertheless, an example of a Bureaucrat's mind, is Mr. Bowles' letter to Mr. Jones, which shows he doesn't know his fellow Bureaucrats, because Mr. Jones is holding that letter, occasionally showing it to a few friends, and in the meantime chuckling, by way of showing what is happening on the home front, holding it over Mr. Bowles' head when they get into the next controversy over whether this or that food should be rationed.

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Cleveland Reserve Elects Directors

President Ray M. Gidney of the Federal Reserve Bank of Cleveland announces that the bank has increased the number of directors in its Cincinnati and Pittsburgh branches from five to seven, effective immediately.

President Gidney made public the appointments or reappointments of seven branch and main office directors and said one director each in the Cincinnati and Pittsburgh branches remains to be named by the Board of Governors of the Federal Reserve System.

The Board of Governors reappointed for the seventh consecutive year George C. Brainard as Chairman of the Board of Directors of the Federal Reserve Bank of Cleveland and Reynold E. Klages as Deputy Chairman. Mr. Brainard is President of the General Fireproofing Co. of Youngstown, O., and Mr. Klages is President of the Columbus Auto Parts Co., Columbus, O.

Albert Z. Baker

Walter H. J. Behm

George C. Brainard

Reynold E. Klages

John G. Gutting

The three directors already named by the Board of Governors are:

Albert Z. Baker, President, Cleveland Union Stockyards Co., reappointed Class C director of the bank for a three-year term beginning Jan. 1, 1945;

S. Headley Shouse of Lexington, Ky., a farmer, appointed director of Cincinnati branch for a two-year term beginning Jan. 1, 1945, and

Howard W. Jordan, President, Pennsylvania Rubber Co., Jeannette, Pa., appointed director of Pittsburgh branch for a two-year term beginning Jan. 1, 1945.

Pittsburgh branch directors appointed by the directors of the Federal Reserve Bank are:

Robert E. Bowie, President of the Security Trust Co., Wheeling, W. Va., for a two-year term beginning Jan. 1, 1945, and

T. C. Swarts, Executive Vice-President, Woodlawn Trust Co., Aliquippa, Pa., for a three-year term beginning Jan. 1, 1945.

Retiring from the Pittsburgh Board are Edwin B. Harshaw, Vice-President and Cashier of the Grove City National Bank of Grove City, Pa., and William C. Arthur, Meadville, Pa., industrialist.

Cincinnati branch directors named by the directors of the bank are:

Walter H. J. Behm, President of the Winters National Bank & Trust Co., Dayton, O., appointed for a three-year term beginning Jan. 1, 1945, and

John G. Gutting, President of the Second National Bank of Cincinnati, O., reappointed to a two-year term beginning Jan. 1, 1945. Mr. Gutting has been a director of the branch since Dec. 3, 1942. Frank A. Brown, Chillicothe, O., farmer, retired after serving as a Cincinnati branch director since Dec. 19, 1939.

Terms of the seven-director branch board members ordinarily are for three years. However, in order to provide for rotation of members, some of the directors were appointed for two-year terms.

Enlargement of the branch directorates will permit the branches to develop wider contacts with banking and industry in the territories they serve, and also to have a broader distribution of representation on their boards from the areas served.

Nat'l Foreign Trade Council Guide

A guide to applicability of Western Hemisphere Trade Corporation provisions of the Internal Revenue Code is being distributed by the National Foreign Trade Council. Copies of this commentary, in the form of a report from the Council's Tax Committee, were made public on Dec. 28.

Much confusion has prevailed, according to Council officers, concerning the eligibility of companies to qualify as Western Hemisphere Trade Corporations and to avail themselves of certain tax exemptions allowed by the Internal Revenue Code. The requirements are indefinite, it is pointed out in the report, and the Bureau of Internal Revenue has published no rulings on these corporations as yet. To fill the need for an informative aid in considering Western Hemisphere Trade Corporation matters, the report was prepared for the Tax Committee by Felix Dayton, Committee Chairman and Assistant Chief Accountant, International General Electric Co., and Mitchell B. Carroll, special counsel.

Record Export Freight Traffic Handled by RRs.

Railroads handled without serious congestion in 1944 the greatest volume of export freight traffic on record, according to an announcement Jan. 16 by the Association of American Railroads, which adds:

Export traffic is moving freely through the various ports all of which are in a completely "liquid" condition.

Cars of export freight, excluding coal and grain, unloaded at all ports in this country in 1944 totaled 1,866,324, compared with 1,401,186 in 1943, or an increase of 33%, and an increase of 228% above 1940 in which year 568,303 cars were handled.

Coastwise freight unloaded at all ports in the past year totaled 7,661 cars compared with 7,333 cars in 1943, or an increase of 5%.

Export grain unloaded at all ports in 1944 totaled 38,849 cars compared with 53,204 cars in 1943, or a decrease of 27%.

Cars of freight for export and coastwise movement unloaded at the ports daily averaged 5,226 in 1944, compared with 4,005 in 1943, 2,616 in 1942, 2,412 in 1941, and 2,235 in 1940. The highest daily average for any month on record was attained in September 1944, when it reached 5,659 cars.

The number of cars unloaded at North Atlantic ports in 1944 was more than 130% greater than during 1918, in the first World War. Due to the fact that the average tonnage per car currently is considerably more than it was in 1918, the increase in the volume of tonnage was even greater than indicated by the increase in the number of carloads.

There were 164,799 cars of export freight, excluding coal and grain, handled through United States ports in December, 1944, compared with 128,358 cars in December, 1943, or an increase of 28%.

Export grain unloaded at the ports in December totaled 3,136, compared with 5,770 in the same month last year, or a decrease of 46%.

Railroads handled 389 cars of coastal freight in December, 1944, compared with 936 in the same month in 1943, or a decrease of 58%.

New York Stock Exch. Borrowings Increase In Month of December

The New York Stock Exchange announced on Jan. 5, 1944, that the total of money borrowed as reported by Stock Exchange member firms as of the close of business Dec. 30, was $972,935,938, an increase of $94.736.259 from the Nov. 30 total of $878,199,679.

The following is the Stock Exchange's announcement:

The total of money borrowed from banks, trust companies and other lenders in the United States, excluding borrowings from other members of national securities exchanges: (1) on direct obligations of or obligations guaranteed as to principal or interest by the U. S. Government, $412,500,688; (2) on all other collateral, $560,435.250; reported by New York Stock Exchange member firms as of the close of business Dec. 30, 1944, aggregated $972,935.938.

The total of money borrowed, compiled on the same basis, as of the close of business Nov, 30, 1944, was (1) on direct obligations of or obligations guaranteed as to principal or interest by the U. S. Government, $358,270,291; (2) on all other collateral, $519,929,388; total, $878,199,679.

The State of Trade

The pace of industrial output for the previous week remained steady. Industrial production barometers were mixed, but several of them reflected evidence of a return to their previous levels after the holiday weeks. The manpower situation continues to be an important factor in holding down output, and according to Dun & Bradstreet Inc., this condition has worked against the fabrication of raw materials which manufacturers described as the chief reason for no appreciable increase in output.

Industrial shipments in the week held moderately above that of a year ago with the greater gain taking place in non-durable goods, although the decline in the most recent monthly figures available, occurred chiefly in this group. New orders already in hand are moderately above that of last year and continue to mount. The steel industry was hampered the past week by bad weather, manpower shortages, transportation difficulties and a re-shuffling of steel mill schedules.

Increased tightness in the supply situation affected miscellaneous industries principally by the acceleration of the ammunition program. The increased demands of the armed services are cutting more deeply into available textile and leather stocks, and less rayon cotton and woolen piece goods have slowed production and at the same time deliveries of Spring merchandise. As for the cotton mills, they are reported as running moderately below a year ago, while in the leather industry, production has been maintained a trifle over last year.

Commodity and security markets continued to reflect strength the past week with higher prices ruling in grains and cotton. Dun & Bradstreet's daily wholesale price index of 30 basic commodities advanced from 175.33 to 175.63. The wholesale food price index remained steady at $4.09 for the fifth consecutive week while turnover continued to run high on the security markets with prices edging upward.

Money In Circulation In 1944—According to the United States Treasury, money in circulation in 1944 increased by $33.47 for every person in the population. It was revealed that on a per capita basis, circulation of currency amounted to $182.45 of currency and coin outside the Treasury and Federal Reserve Banks at the year-end. The foregoing is based on a total of $25,307,466,548 and an estimated population of 138,710,000. For the close of 1943 the per capita amount was placed at $148.98.

Steel Industry—"The secondary war steel peak now in the making, and which bids fair to match the primary record of more than a year ago, ran head-on during the past week into storms, manpower shortages, transportation difficulties and re-shuffling of steel mill schedules," "The Iron Age" reported in its issue of Jan 11.

The obstacles to production referred to above which contributed to a larger carryover of steel orders at the start of this month promised further delivery delays unless abated. These conditions were heightened by the recent influx of new steel orders which for December ran substantially heavier in volume than in November. This is very significant since order cancellations which had been heavy a few months ago have dwindled almost to the vanishing point, states the trade magazine.

Scrap and pig iron shortages have begun to appear in some areas with prospects of becoming more acute within the next two or three weeks. Heavy blast furnace repairs and a greater use of hot metal in view of scrap stringency has contributed to the current pig iron supply situation.

The ravages of recent storms notwithstanding brighter weather, will probably affect operating efficiency for a while. For example, last week the shipment of finished steel was retarded a bit through the inability of reduced mill and railroad crews to cope with added difficulties. While steel companies in the more severely affected areas were struggling to recover to their pre-storm operating levels, steel market conditions had already approached a state of high activity with war steel needs superseding practically everything else. The re-instituted Maritime Commission program calling for about 900,000 tons of plates in the first half of 1945 will add a terrific burden on the already strained steel-making facilities.

One of the reasons for the substantial boost in the shell steel program for the first quarter was the belief that plate demand during the first and second quarter of this year would become a negligible factor. This belief, "The Iron Age" points out, has not been sustained, with the result that steel scheduling activity has taken on such a delicate aspect that almost any small factor will throw it out of kilter. This condition is expected to be the rule for some time rather than the exception.

Partial reinstatement of the steel landing mat program has taken place with 9 fabricating companies out of the 50 which eliminated having been restored. New war requirements for sheet piling for export amount to about 29,000 tons. This imposes an added burden on the relatively limited production facilities for this product, while the placing of orders for 16,000 freight cars in December has filled car builders schedules until well into the third quarter of 1945.

The American Iron and Steel Institute announced last Tuesday that the operating rate of steel companies (including 94% of the industry) will be 93.6% of capacity for the week beginning Jan. 15, compared with 93% one week ago. The decline reflects the shutdown of some facilities for repairs. This week's operating rate is equivalent to 1,688,400 net tons of steel ingots and castings, compared with 1,677,500 net tons last week and 1,720,900 tons one year ago.

R. R. Movement of Export Freight In 1944—Railroads handled in 1944 the greatest volume of export freight traffic on record, the Association of American Railroads reported on Monday of this week.

Cars of export freight, excluding coal and grain, unloaded at all American ports in 1944 totaled 1 866,324, compared with 1,401,186 in 1943, or an increase of 33 per cent, and an increase of 228 per cent above 1940 in which year 568,303 cars were handled.

Coastwise freight unloaded at all ports in 1944 totaled 7,661 cars compared with 7,333 cars in 1943, or an increase of 5 per cent.

The results achieved by the carriers in the movement of export freight during 1944 were accomplished "without serious congestion," the Association reports, adding that "export traffic is moving freely through the various ports all of which are in a completely "liquid condition."

Railroad Freight Loading—Carloadings of revenue freight for the week ended Jan. 6, 1945 totaled 682,967 cars, the Association of American Railroads announced. This was an increase of 98.210 cars, or 16.8% above the preceding week this year and a decrease of 36,662 cars, or 11.3% below the corresponding week of 1944.

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Seeking Peace

"There are two ways of doing it (trying to maintain world peace in future years). One way is by exclusive individual action in which each of us tries to look out for himself. The other way is by joint action in which we undertake to look out for each other.

A. H. Vandenberg

"The first way is the old way which has twice taken us to Europe's interminable battlefields within a quarter of a century. The second way is the new way in which our present fraternity of war becomes a new fraternity of peace. I do not believe that either we or our Allies can have it both ways. They serve to cancel out each other. We cannot tolerate unilateral privilege in a multilateral peace. Yet that seems to be the fatalistic trend today. I think we must make our choice. I think we need to make it wholly plain to our major Allies that they, too, must make their choice.

"I hasten to make my own personal viewpoint clear. I have always been frankly one of those who has believed in our own self-reliance. I still believe that we can never again—regardless of collaborations—allow our national defense to deteriorate to anything like the point of impotence. But I do not believe that any nation hereafter can immunize itself by its own exclusive action."—Senator Vandenberg.

The situation, somehow, seems much less simple to us than it apparently does to the Senator. We doubt whether any such clear and clean-cut "choice" is before us or the remainder of the world —not at all events in any very practical sense.

We suspect that each of the major nations will do what it can to protect its own interests as it sees them—and hope that such a course of action will serve to preserve peace.

It is well to remember, meanwhile, that it is probably a future generation, not this one, which will largely determine policies at critical points in the future when war threatens.

FDR Favors Moratorium to 1946 to Permit Insurance Co. Adjustment to Anti-Trust Laws

A moratorium exempting insurance companies from the Sherman Anti-Trust Act until March 1, 1946, except as to boycott, coercion or intimidation, is favored by President Roosevelt, who has indicated his indorsement of a bill introduced by Senator O'Mahoney in the last Congress to this end. The President's views have been made known in a letter addressed to Senator George L. Radcliffe (Democrat) of Maryand in which he states that such a moratorium would permit the insurance companies to readjust their practices in order to bring them into conformity with the Supreme Court decision holding that insurance is interstate commerce and hence subject to the Anti-Trust Laws. Senator Radcliffe's letter addressed to the President on Dec. 20, said:

My Dear Mr. President:

I am writing this note in regard to the insurance situation. On June 6, 1944, one day after the very far-reaching decision of the Supreme Court reversing Paul vs. Virginia, I wrote a letter to you emphasizing what I thought was the gravity of the situation. I suggested that you declare a sort of moratorium during which essential adjustments could be made to the new decision. I also requested that you issue a reassuring statement to the industry suddenly facing problems of a grave and unprecedented nature. On June 10, you very kindly wrote me a letter in which your position was, on the whole, favorable to what I had requested.

Since that time the insurance industry, insurance commissioners, certain officials of the Federal Government, members of Congress and others have been endeavoring to work out an arrangement which would seem to be adequate. Likewise the status as to State taxation and other forms of State regulation have been questioned in some channels.

The adjournment of Congress has come before such plans could really be carried out. I have been in close touch with Attorney-General Biddle who has been very helpful. It is my impression that he is in favor of a suitable moratorium, but there are some departments of the Federal Government closely involved which do not come under the supervision of the Attorney-General.

I again very respectfully suggest that you give expression to some form of moratorium under which State activities could continue freely pending Federal and State legislation which will undoubtedly be passed and put into operation within the very near future.

I am sure everyone is in accord with the idea you expressed in your letter to me of June 10, that the insurance industry, which is one of the largest and most important in this country, should have every reasonable opportunity for readjustment.

The President in his reply under date of Jan. 2, 1945, stated:

My Dear Senator Radcliffe:

In your letter of December 20, you suggest that there should be some form of a moratorium during which insurance companies will have an opportunity to readjust their practices in order to bring them into conformity with the Supreme Court decision in the South-Eastern Underwriters Association case, and during which legislation might be enacted. The Attorney-General advises me that several months ago he told the Senate Judiciary Committee that no new anti-trust prosecutions against insurance companies would be instituted during a reasonable readjustment period.

The responsibility for the regulation of the business of insurance has been left with the States; and I can assure you that this administration is not sponsoring Federal legislation to regulate insurance or to interfere with the continued regulation and taxation by the States of the business of insurance. But there is no conflict between the application of the anti-trust laws and effective State regulation of insurance companies, and there is no valid reason for giving any special exemption from the anti-trust laws to the business of insurance. The anti-trust laws prohibit private rate fixing arrangements between insurance companies and acts of boycott, coercion or intimidation. The anti-trust laws do not conflict with affirmative regulations of insurance by the States such as agreed insurance rates if they are affirmatively approved by State officials.

Senator O'Mahoney introduced a bill in the last Congress which would have provided for a moratorium from the Sherman Act, except for acts of boycott, coercion or intimidation, until March 1, 1946. This would appear to give sufficient time to permit the necessary readjustment to the Supreme Court decision. I would favor legislation of this general character. It would permit the orderly correction of abuses which have existed in the insurance business and would preserve the right of the States to regulate with full responsibility.

Very sincerely yours,
FRANKLIN D. ROOSEVELT.

Final Forms on Cost Analysis Sent to Banks

The Commission on Country Bank Operations of the American Bankers Association announced on Jan. 2 that final forms have been mailed to 4,000 country banks, to be used in connection with the Commission's cost analysis study. There are three forms in the final material. These include: Form No. 2, a work sheet designed to report salaries of officers and employees of the bank together with the total number of hours they worked during 1944; Form No. 3 and Form No. 4, which are report sheets designed to provide basic information regarding bank operations for the year. Complete instructions for filling out each form were enclosed in the mailing.

K. J. McDonald, Chairman of the Commission, who is also President of the Iowa Trust and Savings Bank, Estherville, Iowa, said that Form No. 1, a work sheet sent to participating banks in September to compute their item count, should not be returned to the Commission at the present time. He stated that the results should be transferred from Form No. 1 to Form No. 4, and then returned simultaneously with the other forms. Mr. McDonald urged banks to return the three forms properly filled in to the Commission promptly. He emphasized that all of the information supplied by the banks will be kept strictly confidential and told bankers: "You are playing an important part in building a fund of information regarding bank operations which will be of direct value to each participating bank and of far-reaching significance to the banking industry."

New York Trust Reports Net Operating Income

In his annual report to the stockholders for 1944 issued on Jan. 5, John E. Bierwirth, President of the New York Trust Company, announced that an Incentive Compensation Plan for the benefit of officers and employees has been established by the Board of Trustees of the company. In discussing the plan, Mr. Bierwirth said:

"This plan involves an additional annual pay roll expense of 6% of the amount transferable to undivided profits before dividends, but not more than the amount by which such sums exceeds $3,600,000 or 6% of capital funds, whichever is greater, and in any case not more than 15% of the aggregate salaries of participants. All employees, including officers, who have completed a year of service will participate in the plan. The annual sum, which this year amounts to $263,880, will be apportioned among the participants based upon their salaries and will be held in trust for their several accounts. Payments from the trust are deferred and will be made over a period of time. The Treasury has ruled that the plan qualifies under Section 165 (a) of the Internal Revenue Code and the Salary Stabilization authorities also have approved it."

Analyzing the bank's operations for 1944, Mr. Bierwirth stated that gross operating income was $10,869,235, an increase of $1,171,802 over 1943. Net operating income amounted to $4,215,583, an increase of $309,707 over the preceding year. As in the past years net profits realized in 1944 from security transactions and recoveries were transferred to General Reserve against which charges were made to write down specific assets. Payments aggregating $700,264 to complete the purchase in 1944 of the past service annuities in the Company's Retirement Annuity Plan were also charged to this account. The balance remaining in General Reserve amounted to $5,913,334, which was $1,193,627 greater than the total at the end of 1943. In previous statements of condition this reserve has been applied as a reduction of assets; however, at December 31, 1944, it has been set forth as a General Reserve. The character and purposes of the account remain the same as heretofore. The annual report further states:

"The annual dividend rate of $3.50 per share payable quarterly on 600,000 shares of capital stock was continued through 1944.

"After making full provision for bad debts, doubtful assets, contingencies and dividends, the net addition to Undivided Profits for the year 1944 amounted to $2,034,121, an increase of $363,296 over the year 1943. Loans and discounts total $196,120,055, which is an increase of $37,348,712 over the total shown at the end of 1943. The increase consists of $18,753,752 in commercial loans and $18,594,960 in loans to brokers and dealers in United States Government securities. As was the case in 1943, commercial loans continued to be primarily used by companies engaged in the production of war materials. During the year the company had substantial participations in Regulation V and VT loans.

"Real estate bonds and mortgages aggregated $1,206,104 at the year-end, a reduction of $1,287,949 from last year. Equities in real estate stated at $75,631 show a decrease of $451,238 from the 1943 figure. These reductions were effected through sales and further write-downs."

As of December 31, 1944, Mr. Bierwirth said the bank held United States Government obligations, at amortized cost, amounting to $438,608,355. The groupings of maturities to call dates of these investments, based on par value, was as follows: 42.24% less than 1 year; 26.10%, 1 to 5 years; 31.66% over 5 years.

Gross deposits on December 31, 1944, inclusive of United States Government deposits, were reported as $738,248,758, which is an increase of $49,040,311 since December 31, 1943. United States Government deposits amounted to $181,531,638, an increase of $88,337,377 during the year.

Bank Commemorates Florida Centennial

The First National Bank in Palm Beach in using the Great Seal of the State of Florida as a frontispiece for its year-end statement, commemorates Florida's 100th Anniversary of Statehood in the Union of these United States. The bank observes that it would take a volume to tell of the many struggles and hardships encountered by Juan Ponce de Leon and his brave followers who in discovering this new land on March 27, 1513, named it Florida after the Spanish "Feast of the Flowers" which is observed during the Easter season. The bank stated that:

"From 1513 to 1565 the Indians massacred every expedition attempting to colonize the territory. On Sept. 8, 1565, St. Augustine was founded and to this day much of the original beauty and architecture still attract thousands of tourists each year.

"In 1763 the English captured the Spanish city of Havana, thereby throwing the Spaniards out of Florida. Later, with victory of the American colonies, England relinquished Florida to the Spaniards rather than allow the Americans to fall heir to the land. The second Spanish occupation of Florida ended in 1821 when it was acquired for $5,000,000, and Andrew Jackson was made Provisional Governor of Florida. With the Indians under control, Florida as a territory, grew by leaps and bounds and by 1845 70,000 stout souls were within its boundaries.

"Those with foresight wished to join the Union and President Tyler signed the bill for the admission of Florida to the Union on March 3, 1845—adding the 27th star to the flag of the United States."

The bank in its statement of Dec. 30, 1944, reports total deposits of $45,702,005 and total resources of $48,813,686. It also reports total Capital funds of $3,008,281, of which $200,000 represents Capital (Common stock); $2,300,000 surplus and $508,281 undivided profits and reserves.

ABA Cancels Scheduled Savings Conference

Consistent with the action already taken by the American Bankers Association in respect to the request of War Mobilization Director James F. Byrnes for the cancellation of meetings of business groups after Feb. 1, the Association announces that it has called off a conference of savings bankers scheduled to be held at the Hotel Pennsylvania here on March 16. This announcement was made by H. R. Templeton, President of the Savings Division of the Association, under whose auspices the meeting was to have been held. Mr. Templeton is Vice-President of The Cleveland Trust Company, Cleveland, Ohio.

This conference, which was referred to in our Jan. 11 issue, page 181, was to have called together the savings bankers of New York, New England, and northern New Jersey for the discussion of the war problems and activities of savings banks.

The A.B.A. previously announced the cancellation of its 26th annual Mid-Winter Trust Conference of the Trust Division, which was to have been held in New York early in February.

The Financial Situation

(Continued from first page)

thought in the country, of which Professor Hansen may be taken as the most articulate spokesman, which contends that the Federal Government should guide its fiscal management not by the time honored principles of financial prudence and good judgment, but by the state of business. The national Treasury should make use of its tax collections and its expenditures, so this group of "advanced" theorists contend, as a sort of balance wheel of industry and trade—increasing outlays and reducing taxes when business lags and reversing these tactics when business needs (in the estimation of the politicians) stimulation. They dignify their proposal with the name and style of "compensatory spending," and other similar terms. Most of them are more than a little vague about where all this would lead in terms of outstanding national debt. They apparently do not consider this aspect of the matter of much importance — although Professor Hansen is definitely on record as suspecting that such a course of action would lead to a more or less perpetually increasing national debt.

The President without much question owes a good deal to these theorizings. They, of course, are made to order for all those politicians whose natural inclination is to spend and spend, and whose basic desire is to elect and elect. The President, however, is no slavish follower of the Hansen doctrines—if we may assume that he has expressed his ideas with precision. He "favors a policy of orderly but steady debt reduction," even if he qualifies his position with some vague phrases about "long-run economic policy." Professor Hansen would never go that far. The President appears to be certain that "mistakes" were made after World War I, and that every one including himself knows precisely what they were. It is perhaps for this latter reason that he does not take the trouble to inform the public what the nature of these "mistakes" was.

Disquieting Clues

But the clues the President does afford concerning his postwar policies are definitely disquieting. They are the more so since they are politically so powerful in their appeal. The President at the moment so fearful of "surplus purchasing power" is apparently equally fearful of a scarcity of that article in the postwar years. He appears to set his face sternly against any reduction in "purchasing power" — even though it (or what passes as such) is accumulating at an unprecedented, and to many observers, alarming rate in the hands of the public generally. Not only that, the President would apparently by redeeming bonds in the hands of the rank and file add to the fuel which even without such additions may well burn destructively.

Some Facts

Before looking more closely at the suggestions of the President let us get the facts of the present situation before us in concise form. We may take the money supply as a measure of "purchasing power." Careful theorists might object to such a procedure, but the supply of currency and bank deposits in the hands of the public is approximately what the President and the others in his Administration appear to mean by purchasing power. Now turn to the record. In 1933 bank deposits and currency outside the banks totaled some $41.7 billion. At the end of 1941 when we entered this war they totaled $78.2 billion, an increase of 88%. At the end of September, 1944, the latest date for which figures are available, they totaled $138.9, a further increase of 78%. Turning to the asset side of the bank statements we find that holdings of Government obligations were wholly responsible for the increase since we entered the war, and very largely responsible for that which occurred prior to our entry.

Post-War Money Supply

Now what the President fears, apparently, is taxes laid on the great rank and file (for that is what consumers are) for the purpose of taking some of the Government obligations out of the hands of the banks and reducing this greatly swollen money supply. It has long been one of the real worries of thoughtful economists in this country that the enormous inflation (potential inflation if one prefers such a term) which has been inevitably concomitant of the conduct of such a war would be difficult to eradicate in the post-war years. It has been the hope of all informed and right thinking men and women that some way could be found at least gradually to reduce this redundant supply of money before it took hold and wrought our financial ruin.

But the President places himself on record against any such procedure. He apparently would oppose any attempt to reach such a desirable consummation.

Obsessed with the notion of "soaking the rich," he would instead, apparently, continue "progressive" taxation (which has come to mean taking very nearly all the income of individuals who earn substantially, and an equally large share of corporate earnings) to be used for the purpose not of reducing the redundant supply of money, but of transferring funds from those who earn them to those who do not. In this way, it is thought, "incomes and employment" may be stabilized!

It would be difficult to find a better way to reduce both incomes (in terms of anything but relatively valueless money) and employment to a minimum!

It is none too soon to characterize these doctrines of the President lest their nature be widely misunderstood and their dissemination work great injury.

Commitments By RFC for War Plants, Machine Tools, etc. Reported As $7,177,700,000

Commitments for war plants, facilities and machine tools aggregating $10,704,935,000 have been made by the Reconstruction Finance Corporation through Defense Plant Corporation, according to Jesse H. Jones, who in announcing this on Jan. 4 said that "of this total $757,656,000 has been concelled, and $7,177,700,000 disbursed."

Mr. Jones' announcement also says that "the total figure includes pool order commitments for machine tools aggregating $1,985,000,000. These orders are issued to insure the machine tool manufacturer a market for his product, and, as the tools are sold by the manufacturer, our obligation ceases." From Mr. Jones' advices we also quote:

"We have only been required to buy tools under these orders aggregating $4,912,000, and our outstanding commitments at this time are only $33,271,000. However, we have an informal request now from War Production Board to issue new pool orders in a substantial amount, to be handled in the same manner.

"In addition to the pool orders, machine tools have been supplied to 1,007 contractors in the amount of $1,087,000,000, the contractors paying a fixed rental.

"Total commitments include 920 complete, integrated plants wholly owned by Defense Plant Corporation, in the amount of $6,055,000,000; and the expansion of 122 existing privately owned plants in the amount of $740,000,000. These expansions are wholly owned by Defense Plant Corporation, and are located on land owned by it or held under long-term lease.

"The overall commitments include:

"574 for aircraft facilities in the amount of $3,100,000,000.

"183 for steel and pigiron facilities in the amount of $1,023,000,000.

"161 for chemical facilities in the amount of $119,000,000.

"156 for machine tool facilities in the amount of $80,000.000.

"97 for aluminum facilities in the amount of $812,000,000.

"92 for ordnance facilities in the amount of $356,000,000.

"57 for synthetic rubber manufacturing facilities in the amount of $715,000,000.

"50 for other rubber manufacturing facilities necessary in the war effort in the amount of $115,000,000.

"52 for magnesium facilities in the amount of $453,000,000.

"38 for aviation gasoline facilities in the amount of $245,000,000.

"6 for pipe lines in the amount of $189,000,000.

"247 plants aggregating $3,100,000,000 are leased to operators at an annual rental of $1 a year. In these plants no charge is made to the government procurement agency for plants or plant facilities in the supply contracts. In the remaining 1,858 projects, in the amount of $4,900,000,000, rentals have been collected aggregating $422,000,000.

"The plants and projects are located in 46 states, and each was undertaken at the request of the War or Navy Departments, Maritime Commission, War Production Board, or other agency having responsibility for the procurement of war material.

"Recently, a number of facilities that had finished their war work were transferred to new operators for other emergency war production.

"Commitments for facilities to produce critical and strategic materials in foreign countries have aggregated $42,714,850. They include the production of copper in Chile, nickel in Cuba, vanadium concentrates in Peru, peat in Canada, fluorspar in Newfoundland, and balsa wood in Ecuador.

"The figures throughout are substantially as of December 31, 1944."

Mortgage Moratorium Law Upheld By NY Court

In a 6-to-1 decision on Dec. 30, the New York State Court of Appeals upheld the constitutionality of the N. Y. State Mtg. Moratorium Law, first enacted in 1933, and extended annually since. Noting that the plaintiff in the case was the East New York Savings Bank, which challenged, specifically, Chapter 93 of the Laws of 1943, which continued the moratorium, with provision for an amortization rate of one cent, Albany advices Dec. 30 to the New York "Times" added:

The high court's decision was awaited with widespread interest by thousands of mortgage holders and owners of property affected by the moratorium. Grounds on which the Court of Appeals reached its decision were not known immediately because, with the tribunal clearing its calendar for 1944, copies of the numerous opinions were not available at the time the decisions were handed down.

Chief Judge Irving Lehman wrote the opinion with Judge Edmund Lewis submitting a dissent. Their language may have some bearing on the attitude of the 1945 Legislature toward extending the moratorium for another year.

The East New York Savings Bank appealed from a lower court decision that the bank had failed to prove that at the time of the enactment of Chapter 93 of the Laws of 1943 and at the time of trial there was no public emergency justifying continuation of the moratorium.

The bank had taken action to foreclose a mortgage on property on Atlantic Avenue, Brooklyn. The mortgage was in the original sum of $5,000 and there was due $4,912.50 with interest from April 1, 1944.

Between 1933 and 1943 the moratorium law provided that mortgages covered thereby could not be foreclosed provided the property owner paid interest and taxes, with no amortization required. In 1943 the rate of amortization was fixed at 1%, and that rate was doubled by the 1944 Legislature.

Counsel for the bank argued that moratorium legislation violates the contract clause of the Federal Constitution and that it should not be sustained by the courts unless it was justified by a serious emergency, temporary in character, requiring a drastic remedy for the general welfare of all the people. The bank's lawyers further contended that the courts could take judicial notice that the emergency was at an end.

In his annual message to the Legislature last January, Governor Dewey said that conditions of unemployment and reduced income which impelled the moratorium long since had passed, and that the present period of high employment and high income is one in which debts should be paid off.

The Governor recommended, however, that the moratorium be continued for another year to avoid sudden hardship, but he said the bill should provide for reasonable payments against principal.

Throughout most of the 1944 legislative session there was a dispute between those who wanted the rate of amortization stepped up to 3% and those who wanted it left at 1%. The 2% rate was accepted as a compromise, although some legislators at that time predicted the rate was so low, in view of general prosperity, that the entire moratorium would be thrown out by the courts.

Seattle 1st Nat'l Bank Adds Four to Board

The addition of four prominent business leaders to the 12-member advisory board of the Spokane and Eastern division of the Seattle-First National Bank of Seattle, Washington, was announced on Jan. 9 by Joel E. Ferris, Executive Vice-President of the bank and manager of the division. New members are Grant Dixon, Harper Joy, R. J. Martin and Robert P. Porter. This is learned from "The Spokesman Review," of Spokane, from which we also take the following:

"Mr. Dixon is President of Western Pine Manufacturing Co. and Exchange Lumber and Manufacturing Co. He is past President of the Wooden Box Association of the United States.

"Mr. Joy, Executive Vice President of Ferris & Hardgrove, brokers, is a trustee of Whitman College and a member of the Board of Governors of the Spokane Shriners' hospital for crippled children. He has directed the last five War Bond campaigns as county chairman.

"Mr. Martin is President and Manager of R. J. Martin & Co., insurance and mortgage bankers, established 35 years ago. Vice-President and Director of the Great Northwest Life Insurance Co., he is also President of the Spokane Western Investment Co. and a Director of the Continental Coal Co.

"Mr. Porter has been President of Porter Brothers Co. since 1933, and had charge of their extensive operations in building the Peace Bridge in Buffalo, N. Y., and the Detroit-Windsor tunnel. A Director of Union Bank and Trust Co., Helena, Mont., he and his associates have developed large placer mining properties in Montana and Oregon.

"Mr. Ferris also announced changes in the official staff of the bank by the election of C. A. Nicholson, Trust Officer for many years, to Vice-President and Trust Officer, continuing in the trust department, of which Conner Malott, Vice-President, is the executive head. G. P. Hill, who has been Mr. Malott's assistant, was promoted to Assistant Trust Officer.

"R. A. Barth and L. G. Musser, both long connected with the Spokane and Eastern, were promoted from Assistant Cashiers to Assistant Vice-Presidents, and D. D. Johnston, who has been in the mortgage and insurance departments since 1925, was elected Assistant Cashier.

Putting the Cart Before the Horse

(Continued from first page)

pens to dividends paid by domestic corporations.

The truth of the matter is that some people are taxed at rates which are not only too high (for peace-time pursuits), but actually amount to the ancient practice of using the power of taxation for political purposes. The combination of corporate and individual income taxes raises the tax rate further. But this is no more "double taxation" than is the fact that one income bracket pays the double amount of another. It is an enhanced rate of taxation which may or may not be desirable, but calling it double taxation merely helps to confuse the issue.

Nor is it correct in every case to say that the present system of corporate **plus** income tax adds up to a substantially higher burden than the taxpayer would have to carry if the whole amount would be raised at one end only, either at the source or at the receiving end.

It all depends on the bracket in which the corporation and the individual, respectively, find themselves. A man with a $100,000 income receiving dividends from a corporation which is not liable to the excess profits tax would not fare — at present tax rates — much better if he had to pay the tax on the full income without having the corporate tax deducted at the source. Vice versa, a person in a low income tax bracket owning shares of a corporation subject to a high excess profits tax, pays much more under the present law than he would have to if the corporate tax would be eliminated and his dividends alone were taxable. By and large, given the present rates of taxation of both corporate and individual incomes, the method of so-called "double" taxation works itself out as a minor hardship to the comparatively rich (almost none at all to the very rich) and as an extra charge on the small shareholder. And even that is true only in a general way, with a great many variations.

Briefly, what matters is the rate at which both corporate and individual incomes in the diverse brackets are taxed, rather than whether the tax is raised in two operations or in one. The emphasis on the so-called double taxation is not only misleading, but actually dangerous. The Treasury might answer it by saying that all it wants is a certain amount of revenue from corporate income and it is perfectly willing to raise it in one item if that's what is desired. If so, the result would be that the large shareholders would be worse off as a rule than they are now, while the small shareholders would profit through the change. But it is not the latter who need encouragement to invest.

As a matter of fact, the apparent relief to the large shareholder which the abolishing of the so-called double taxation would bring, is too small to be an incentive to enterprise even if the corporations would pay out in dividends the whole amount which they now pay in taxes. But most likely they would add some of it to their undistributed earnings. Is it likely that the Government would leave that amount untaxed? Even the CED plan. which stresses the point that all taxes should be paid by persons who receive the income, proposes an undistributed profits tax. which no fiscal authority in need of money is apt to overlook.

Then, there is another angle to this problem. Abolishing the so-called double taxation would be a boon to the small shareholder. But is it really desirable to attract him to the stock market? The peculiarity of the American stock market, the large volume of small funds operating in it for speculative purposes, is far from being sound. It emphasizes the swings of the market, causes losses to strata which can ill afford them, and distracts capital from small business in favor of the large corporations.

Incidentally, if raising two consecutive taxes on corporate earnings were a case of double taxation, then we should talk of quintuplet or sextet taxation, since a host of other taxes is paid by the same corporations (all deductible in figuring taxable earnings). Indeed, every one of us is double taxed and triple taxed, according to the same terminology, since we pay (deductible) State and municipal taxes plus excises, etc., and none of the reform plans suggests that this kind of "double taxation" should be entirely abolished, as they ought to if they were strictly logical. Fortunately, they are not that logical.

The Excess Profits Tax Fallacy

However, the constructive aspect of this propaganda for tax relief is the public recognition that the extremely high burden in the upper brackets is economically and socially unjustified. It kills the goose that lays the golden egg. But it is wrong policy to use false arguments for a good cause, and to ovelook or neglect the right ones. None of the widely distributed tax reform plans points out the apparent paradox that we have accomplished in the last three years a record level of production in spite of fantastically high tax rates, which did not prove to be a deterrent. As a matter of fact, there was enough profit left over to make this period the most profitable one since the late 1920's.

Of course, there is nothing mysterious about this apparent paradox. When the Government is the buyer in a seller's market, and when the buying is financed by monetary inflation, business ventures are virtually free of risk and almost any amount of profit is sufficient to give the necessary incentive. But taxes which are tolerable in war and inflation can be most detrimental under normal conditions. And it doesn't take great experts to figure out what the proper rates of income and corporate taxes might be. The most important single measure should be to abolish the excess profits tax, the idea of which was that nobody should get rich on the war. But there is no objection to anybody getting rich on legitimate peacetime pursuits. In addition, the income tax rates of the upper brackets should be brought down to the level of, say, the 1941 rate — provided that other ways are found to raise enough revenue to balance the budget.

What About Death Duties?

A curious feature of the tax reform plans in vogue is that they all evade the discussion of the estate taxes. The most vociferous advocates of the necessity to eliminate fiscal restrictions in the way of employment forget about the restrictive effects of high estate taxes. It is typical of the prevailing confusion about fundamentals that the economic man is looked upon as wanting to accumulate profits, but as being unmindful of whether or not they will be transferred to his heirs. In reality, the constructive type of entrepreneur is more interested in building up a lasting family fortune and in the permanence of his own accomplishment, than in making profits in his lifetime and letting future generations take care of themselves.

High death duties have the following effects:

1. They discourage capitalistic enterprise of the type which is expected to bring profits in the long run rather than by reaping them in a hurry. They encourage short-run "speculation" at the expense of sound investment.

2. They have to be paid like a capital levy out of the substance, not out of income, which make a 30% death duty more oppressive and destructive than a 90% income tax.

3. They compel to liquidity, the opposite of enterprising. Not knowing when they fall due, the businessman is compelled to keep a major part of his fortune in such a form that his heirs do not need to liquidate the enterprise. Few things contribute more effectively to keeping a depression in permanence than a severe tax which puts a high premium on hoarding.

4. They favor big business at the expense of the small, because the owner of the former has much better chances for quick liquidation than the proprietor of the latter. In effect, therefore, they are a factor driving toward industrial concentration.

5. A progressive income tax, as we know it, reduces the accumulation of capital to such an extent as to make a high death duty unjust from the heir's point of view and comparatively unproductive from the Treasury's angle. At present, little more than 1% of all Federal revenues is derived from this source, in spite of confiscatory rates as high as 72%.

6. Because of their oppressive and destructive effects, high estate taxes are an incentive for devious subterfuges to break the spirit, if not the letter, of the law.

The reduction of unduly high death duties, and the right of the heirs to pay them in a long series of installments, should be first items in any tax reform program.

Putting the Cart Before the Horse

The reform plans, in spite of their shortcomings, have the merit of attracting public attention to the desirability of reform. But they put the cart before the horse by raising the tax problem rather than the problem of budgetary balance as the primary one. They operate on the implicit assumption that the primary purpose of fiscal policy is wealth distribution or employment creation or some other non-fiscal goal. In reality, these should be only secondary considerations. The first and fundamental purpose of taxation is and should be to cover governmental expenditures — to balance the budget.

To advocate in general terms a balanced budget is just as useful a procedure as to advocate a tax reform without telling of what it should consist. The tax reform plans simply postulate some $18 billions Federal expenditures, which involves quite a few arbitrary assumptions. It is assumed, e. g., that the interest charge on the national debt will not be more than 5 to 6 billion dollars per annum, which in turn pre-supposes that the national debt won't rise beyond $300 billions, and that the average interest rate will not be more than 2%. It might suffice to point out that the greater half of the national debt is of the short-term variety, much of which will have to be converted to higher interest-bearing securities.

This is only one of the many fallacies underlying the $18 billion expenditure figure, which is a product of wishful thinking rather than of fiscal analysis. No attempt is being made to analyze the structure of Federal expenditures. To propagandize tax reform without a detailed and specific program of reforming expenditures serves only to create false expectations.

To quote the September report of the National City Bank (N. Y.): "Already a great variety of proposals involving heavy Federal expenditures have been brought forward, such as vast new superhighways and public works. an expanded social security system, grants of special benefits to servicement and to war workers, support of farm prices by subsidies, continued lend-lease, a permanent large Army and Navy, an international stabilization fund and reconstruction bank, etc.," all of which is ignored in the reform plans, or is brushed aside. To assume, e. g., that all subsidies will be thrown in the ash can, is simple enough. But what does one propose to do about the farmer? Is it likely that when farm prices will collapse—as they are bound to — a laissez-faire policy will be adopted?

Propaganda for Inflation

Another fallacy on which the limited budget assumptions are based is the hypothesis of a high national income, varying in the different plans between $120 billions and $150 billions at war-time inflated levels. (That inflated income level is also basic for the actuarial calculations of very doubtful value in the different plans with regard to tax returns.) But none of them goes to the trouble to do as much as to ask the question. Just how is a national income of some 50% to 100% higher than we ever had in peace-time to be brought about? And why is an income-inflation necessary to create "full employment," whatever that means? Note that the 1929 prosperity, at a price level about the same as in 1942, brought a national income of less than $90 billions.

The inflationary implication is clearly shown in both the Ruml-Sonne plan and the CED project by their policy of demanding an all-round reduction of direct taxes. They are anxious also to wipe out all excises (except those for "social and regulatory" purposes — to interfere with the capitalistic system), arguing that they burden the masses. True enough, but the trouble is that it is the savings of the masses which have been grossly inflated in this war, and the disbursement of which threatens to carry into a run-away price inflation.

The 1942 level of national income can be duplicated only if one of two things happens, or a combination of both. Either the dikes have to open, so as to let the flood of pent-up liquid savings inundate the markets and inflate prices. Or else, if the savings won't be spent, then such a high plateau of national income may be reached by more Federal deficit spending. In either case, the budget would be unbalanced at the proposed tax rates. Incidentally, a high level of national income, as postulated by the tax reformers, would put the labor market under such a strain as to raise wages and thereby inflate prices from the cost side as well.

The essential point is that tax reductions **per se** neither guarantee a proportionate reduction of expenditures, nor do they protect against an outburst of inflationary spending by individuals and corporations. As a matter of fact. the great danger is that a tax reform, and even its promise, will foster the disbursement of pent-up savings. None of the plans does as much as to seriously acknowledge this danger, but it is only fair to add that at least one of them, the so-called Twin Cities Plan, shows signs of understanding where the real problem lies—the problem created by the vastly inflated volume of mass purchasing power—by suggesting that the excise taxes should be kept on the 1943 level and a 5% Federal sales tax should be introduced Even that modest indication of economic and financial insight is blurred by the general policies of the Twin Cities Plan, which are similar to those of the other popular projects.

From the cocoon of tax reform plans emerges the butterfly of inflation propaganda. These plans amount in effect to plain inflation propaganda, and it is no mere incident that, for example, the author of the Ruml plan used to be one of the foremost proponents of perpetually unbalanced budgets and the spend-into-prosperity theory.

Whether or not intended that way, public reaction to the tax plans is not that Federal expenditures should be cut to $18 billions, or that the budget should be balanced. Public reaction is overwhelmingly on the side that taxes should be reduced. Indeed, it is the obvious implication of the plans that they have to be reduced under any circumstances: either because the budget would be balanced automatically, thanks to a high national income, or because it **should not be balanced** if the national income should shrink to peace-time levels.

One way or the other, we should accept inflation as a necessity, that is the underlying idea. It ignores the fact that price inflation is just about the most uneconomic and unjust of all forms of taxation. It is a tax levied without any regard for the principle of ability to pay. It is confiscatory, levied on capital as well as on income. It is wasteful because it wipes out the working capital of business, and leads to bad investments and over-production. It is ethically and socially most undesirable, because it penalizes honest savings, stimulates wild speculation and orgies of spending, and disrupts the structure and stratification of society, leading ultimately into the holocaust of prolonged depression. Inevitably, paper money inflation has revolutionary effects at home and abroad.

We need a fiscal reform, indeed, but we need one that guarantees a balanced budget, instead of assuming that it might come about by some miracle, and neglecting the consequences if it should fail to materialize.

A Last Consideration

There is one more point to bear in mind. Tax reform, i. e., tax reduction, is worth-while only if it lasts. To have a temporary relief, and then have taxes raised again, is much worse than having them stay where they are. One of the worst effects of taxation on business arises from insecurity about its future level. What we need is not just lower rates, but rates which won't be raised again. The reform plans which are not based on the solid foundation of a genuinely stabilized budget are worthless even if they succeed temporarily, because they will have to give way sooner or later to higher rates, upsetting business planning by the mere uncertainty as to next year's tax bill.

Illinois Bankers Cancel Conference

The annual Mid-Winter Conference and Dinner of the Illinois Bankers Association scheduled to be held at the Palmer House, Chicago, Ill., Feb. 8, has been cancelled. President Floyd M. Condit, in making this announcement, stated that the Executive Committee of the Association was unanimous in deciding to take this action inasmuch as the bankers of this State have pledged their full loyalty and co-operation to everything necessary to speedily win this war. Mr. Condit stated that the Committee had instructed the Secretary, Harry C. Hausman, to advise War Mobilization Director Byrnes of this action, following Mr. Byrnes' request, with President Roosevelt's approval, for the cancellation of conventions, involving travel, after February 1.

The State of Trade

(Continued from page 290)

Compared with a similar period in 1943, a decrease of 34,209 cars or 4.8% is shown.

Electric Production — The Edison Electric Institute reports that the output of electricity increased to approximately 4,427,281,000 kwh. in the week ended Jan. 6, 1945, from 4,567,959,000 kwh. in the preceding week. Because the same week last year contained the New Year holiday, no percentage comparisons are available. Output for the week ended Dec. 30, 1944 was 2.6% below that in the same week the year before.

Consolidated Edison Co. of New York reports system output of 186,000,000 kwh. in the week ended Jan. 7, 1945, comparing with 230,100,000 kwh. for the corresponding week of 1944, or a decrease of 19.1%.

Local distribution of electricity amounted to 178,600,000 kwh., compared with 212,400,000 kwh. for the corresponding week of last year, a decrease of 15.9%.

Coal Production—The U. S. Bureau of Mines reports production of Pennsylvania anthracite for the week ended Jan. 6, 1945, at 792,000 tons, an increase of 8,000 tons (1%) over the preceding week, and 315,000 tons, or 28.5% below the corresponding week of 1944.

The report of the Solid Fuels Administration placed bituminous production for the week ended Jan. 6, 1945 at 10,575,000 net tons, an increase of 2,265,000 tons over the previous week. Production in the corresponding week of last year amounted to 12,250,000 tons.

Estimated production of beehive coke in the United States for the week ended Jan. 6, 1945, as reported by the same source, showed an increase of 3,800 tons when compared with the output for the week before and 64,200 tons less than for the corresponding week of 1944.

Crude Oil Production — Daily average gross crude oil production for the week ended Jan. 6, 1945, as estimated by the American Petroleum Institute, was 4,678,550 barrels. This represented a decrease of 27,350 barrels per day under the preceding week, and 46,150 barrels below the daily average figure recommended by the Petroleum Administration for War for the month of January, 1945. When compared with the corresponding week last year, crude oil production was 313,700 barrels per day higher. For the four weeks ended Jan. 6, 1945, daily output averaged 4,702,250 barrels.

Reports from refining companies indicate that the industry as a whole ran to stills (on a Bureau of Mines basis) approximately 4,656,000 barrels of crude oil daily and produced 14,472,000 barrels of gasoline. Kerosene output totaled 1,393,000 barrels, with distillate fuel oil placed at 4,533,000 barrels and residue fuel oil at 9,092,000 barrels during the week ended Jan. 6, 1945. Storage supplies at the week-end totaled 86,616,000 barrels of gasoline, 10,782,000 barrels of kerosene, 38,298,000 barrels of distillate fuel and 56,074,000 barrels of residue fuel oil.

Lumber Shipments — The National Lumber Manufacturers Association reports that lumber shipments of 445 reporting mills were 12% above production for the week ended Jan. 6, 1945, while new orders of these mills were 18.8% more than production. Unfilled orders files amounted to 91% of stocks.

Compared to the average corresponding week of 1935-39, production of reporting mills was 34.6% greater, shipments 31.7% greater, and orders 23.7% greater.

Silver—The London market was quiet and unchanged at 25½ d. for basis .999 silver. The New York Official continued at 44¾ c. for foreign silver and 70⅝c. for domestic silver.

Paper Production—Paper production for the week ended Jan. 6, 1945 was at 81% of capacity, as against 61% of capacity in the preceding week, the American Paper and Pulp Association's index of mill activity disclosed. The rate during the week ended Jan. 8, 1944, was 90.9% of capacity. As for paperboard, production for the same period was reported at 80% of capacity, against 57% in the preceding week.

Building Permits in December—Off sharply from the preceding month, December building permit values also went slightly below the December, 1943 volume for the first year-to-year decrease recorded since last April.

The value of permits issued in 215 cities during December dropped 59.2% to $39,279,455 from $96,455,644 in November, and was 7.3% less than last year's sum of $42,393,483, according to Dun & Bradstreet, Inc.

Business Failures — Although the work week was shortened by he Christmas holiday, commercial and industrial failures rose slightly in the week ended Jan. 11, 1945, advancing from 19 in the previous week to 25, Dun & Bradstreet, Inc., reports. The week's failures were concentrated in manufacturing and involved large liabilities. Small failures remained at the level of last week, while failures with liabilities of $5,000 or more rose from 14 a week ago to 21. In the comparable week of last year there were 22 large failures. Except for manufacturing, no industry or trade group showed a marked change. Only one Canadian failure was reported against 3 in the previous week and 2 a year ago.

Retail and Wholesale Trade—Retail volume for the country at large moved ahead the past week. According to Dun & Bradstreet, Inc., few of the first-of-the-year sales promotions, which usually mark this period, have appeared, but shoppers were buying in sufficient quantities to hold sales moderately above the same period of last year. Consumer interest extended over a wide variety of apparel such as cosmetics, jewelry and accessories, and to a lesser degree over house furnishings. There were no special items in particularly strong demand. Food sales dropped into a routine way following a sharp rise the past few weeks. Depleted inventories characterized department store stocks of merchandise after an active holiday season, with only a limited quantity of fall and winter merchandise yet to be received.

In women's apparel, sportswear, suits, coats and dresses a reasonable demand obtained, while the promotional activity and the new displays of summer merchandise brought forth considerable interest. Summer dress sales were large and pastel suits popular. It was noted that higher-priced coats and dresses enjoyed an improved turnover. In men's clothing, the volume was about even with that of one year ago; sales of men's furnishings were down slightly.

Clearance sales of house furnishings this year are infrequent and offer the smallest variety in many years. Food distribution remained moderately above that of the previous year with many provisions falling short of consumer needs, while butter and cheese in some sections are very scarce.

Heavy snowstorms continued to hamper retail trade in some regions, volume for the country was estimated from 4 to 8% over a year ago. Regional percentage increases were: New England 3 to 5, East 4 to 6, Middle West and Northwest 3 to 7, South 5 to 9, Southwest 8 to 12, and the Pacific Coast 6 to 10%.

In the wholesale field, sales rose the past week with the opening of a wide variety of markets throughout the country. Attendance was heavy but supplies were limited and ordering followed on the allotment basis. Shortages were evident primarily in some staple goods, rayons and cotton goods, underwear, work clothes and many house-furnishing lines.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, were 2% ahead of a year ago for the week ended Jan. 6, 1945. This compared with 12% in the preceding week. For the four weeks ended Jan. 6, 1945, sales increased by 20%.

Retail trade here in New York last week was characterized by spottiness. Bad weather coupled with severe shortages of merchandise were adverse factors and had their effect. According to estimates, department store sales reflected little change from the previous year.

Local wholesale markets in the week attracted a record number of buyers who were endeavoring to replendish low stocks wherever possible and check on deliveries of early spring merchandise. In fabrics the situation continued acute. Buyers' allotments were smaller than heretofore contemplated.

According to the Federal Reserve Bank's index, department store sales in New York City for the weekly period to Jan. 6, 1945 decreased by 1% under the same period of last year. This compared with an increase of 9% in the preceding week. For the four weeks ended Jan. 6, 1945 sales rose by 20%.

Business Failures in Nov.

Business failures in November were higher in number but lower in amount of liabilities involved than in October. When compared with November a year ago, the number of failures is smaller but the amount of liabilities involved is larger. Business insolvencies according to Dun & Bradstreet, Inc., totaled 75 and involved $3,008,000 liabilities as compared with 74 in October involving $3,819,000 liabilities and 155 involving $2,402,000 in November a year ago.

The manufacturing and retail groups were the only groups showing less failures and liabilities in November than in October.

Manufacturing failures in November numbered 18, involving $513,000 liabilities, compared with 30 in October with $3,521,000 liabilities. Wholesale failures numbered 6, against 4 in October and liabilities increased to $235,000 from $19,000 in October. In the retail trade section insolvencies decreased from 25 to 21 and liabilities from $156,000 to $115,000. Construction failures numbered 18 in November against 11 in October with liabilities of $482,000 in November as compared with $80,000 in October. Commercial Service failures were up to 12 in November with $1,663,000 liabilities from 4 in October with liabilities of $3,819,000.

When the country is divided into Federal Reserve districts it is found that the Boston, New York, Richmond, Atlanta and Kansas City Reserve districts had more failures in November than in October. Chicago had the same number while the Minneapolis and Dallas Reserve districts did not report any and the remaining districts had fewer failures in Nober than in October. When the amount of liabilities involved is considered, it is found that the Richmond, Atlanta and St. Louis Reserve districts had more liabilities involved in November than in October. The Chicago Reserve district had the same amount, while the remaining districts, with the exception of Minneapolis and Dallas Reserve districts, which did not have any failures, had less liabilities involved in November than in October.

Mutual Savings Banks Cancel '45 Conference

Owing to urgent requests from Washington to conserve time, space and material, the National Association of Mutual Savings Banks will forego its 1945 business meeting, previously announced to take place in May. Since mutual institutions operate in 17 states, and principally upon the eastern seaboard, the meeting of this year would have involved only a minimum of travel and consumption of goods; yet says the announcement the Executive Committee of the association deemed it best to relinquish plans for a discussion of current economic affairs by delegates representing the whole membership. Instead, a brief meeting probably will be held in the Spring by the association Council of Administration, representing mutual savings banks at large. The announcement from the Association also says: "The participation of mutual institutions in the war effort continues at an intensive rate, their distribution of War Savings Bonds to the public approximating about a twenty-fifth part of all such bonds. The direct investment of mutual savings bank assets in Government securities of the usual issues substantially is above the half-way mark of these assets and continues to rise. Planning for the future will be continued by committees of the association coupled with customary administrative activities.

Relax Restrictions on Currency Movement Between U. S., Mexico

The Treasury Department announced on Jan. 3 the relaxation of its restrictions on the movement of United States currency between Mexico and this country. Hereafter, persons crossing the Mexican border will be permitted to carry United States currency in bills of denominations of $20 or less, says the Treasury announcement, which also states:

"This action was taken after consultation with the Mexican Government, which is issuing a similar announcement.

"Mexican controls over the importation of currency from countries other than the United States will be relied upon to prevent Mexico from becoming a channel for the disposition of looted United States currency. The joint Mexican-United States restrictions on the movement of currency between the United States and Mexico continue to apply to bills of denominations of $50 or higher. Treasury restrictions on the importation of currency into the United States from foreign countries other than Mexico remain unchanged.

"This modification is in line with the policy of the Treasury Department to relax its wartime restrictions over international financial transactions as rapidly as conditions permit."

Look to Increased Cocoa Beans Production

At a meeting of the Board of Managers of the New York Cocoa Exchange, Inc., held on Jan. 8, it was unanimously voted to instruct the special committee of the Exchange, consisting of I. Witkin, J. L. Clevenger, Jr., G. Hintz, W. J. Kibbe, W. E. Leydet and T. J. Mahoney, to inquire into and study ways and means of encouraging production of cocoa beans in new areas of the world, and to increase production in areas already growing cocoa, especially in the Western Hemisphere, and to empower the committee to take steps necessary to carry out the purposes of this resolution.

From Washington Ahead of The News

(Continued from first page)

It is worth noting that a result already of Mr. Bowles' desire for his bureau to do something and not disintegrate, was his invalidation during the holidays of a lot of blue stamps which the housewives had been holding. Millions of Americans lost confidence in the OPA because of this action and its assurance now that shoes are not going to be rationed, seem not to mean a thing to the prospective buyers of shoes. In the meantime, Mr. Bowles has admitted that he made a mistake in cancelling the blue stamps. "Mistake" is not the word for it.

There is another thing which they are talking about on Capitol Hill. Congressmen are asking themselves, regards the manpower and draft nurses proposal, just what is behind Jimmy Byrnes' and Mr. Roosevelt's "forcefulness." They hear, and gossip has a tremendous influence in the politics of Washington, and under our central Government these days, over the lives of the whole people, that Jimmy has never quite got over his being denied the Vice-Presidential nomination at Chicago and would quit were it not for Barney Baruch who wants an entree to the White House through Jimmy. And Jimmy, being of this mood, is out to test his authority as "Assistant President." By way of doing this, so goes the gossip —and we would never think gossip in the old days to be important, but it is now quite important in the flimsical government which people have—he made proposals on manpower and taxes, and the President, to show his confidence in Jimmy and to regain his goodwill, approved his tax program over the loud howls of Henry Morgenthau, who said he had not been consulted, and went even more "forceful" on manpower draft than Jimmy had.

Jimmy, it is now being pointed out, is speaking more kindly of the "President's leadership" than at any time since Chicago. He is beginning to think once again that FD is really a man who has a grasp of this country's problems, when up until the President did this, Jimmy was reported to have thought the President had no grasp of anything, and he would certainly like to quit if Barney Baruch would let him.

We reported last week that the outbreak from the Administration on manpower, on the drafting of 4-Fs and nurses, had to do with what was happening on the Western front and the disillusionment over the Atlantic Charter.

What we have just written is in no wise in contradiction of that, but simply another angle of how things come about in Washington.

The over-all thought is that there is not much honesty about anything. People have long laughed at politicians. The cartoonists drew funny cartoons about them. And the ordinary people were apt to expect campaign cigars from them, and laugh. But now they have let these babies get the upper hand over them and they, the people, are in an awful mess.

Men in Congress claim they are going to find out, but they probably won't, just where the manpower shortage is. They are going to ask why Paul McNutt, the Manpower Administrator, was in Europe when the outburst developed. With millions of people having to stand in line to eat, to get gas, to get other necessities, they are going to try to determine just what nonessential industry it is that is unnecessarily housing the 4-Fs. Congress won't get much information, but it is not likely either, that, notwithstanding the newspaper pressure, it will pass the proposed legislation. The Administration doesn't want it to. In the end, a good time will have been had by all.

President Roosevelt's Budget Message to Congress For 1946

(Continued from first page)

country, producing the equipment and means of transportation for our expanding armed forces, and aiding our Allies in their resistance against the aggressors. The record today shows that we have spent $28,000,000,000 since July 1, 1940, to build munitions factories, cantonments, depots, hospitals, war housing and for other war construction. Three times the total strength of our Army and Navy at the time of Pearl Harbor is now fighting or deployed overseas. Thirty-six billion dollars of lend-lease aid have been furnished in goods and services to our Allies, who in turn have aided us with approximately $4,500,000,000 worth of goods and services.

We have now substantially completed our war construction. Expenditures for war construction, which in the fiscal year 1943 reached a peak of $12,700,000,000, are now down to an annual rate of about $2,500,000,000. The development of new weapons and increased need for ammunition still require some new plants and equipment, but total outlays for war construction are declining, as shown in the following table:

WAR EXPENDITURES FOR FISCAL YEARS 1941-1945, INCLUDING NET OUTLAYS OF GOVERNMENT CORPORATIONS

(In Billions)

Type of Expenditure—	1941	1942	1943	1944	*1945
Munitions, including ships	$2.3	$12.7	$42.3	$55.6	$53.8
War construction and war plant:					
Industrial plant and equipment	0.8	4.1	6.7	2.6	1.3
Non-industrial and military construction	1.4	3.5	6.0	2.0	0.9
Total war construction and war plant	$2.2	$7.6	$12.7	$4.6	$2.2
†Pay, subsistence and other non-munitions	2.2	8.0	20.1	29.5	33.0
Total war expenditures	$6.7	$28.3	$75.1	$89.7	$89.0

*Revised estimate. †Including agricultural lend-lease and other civilian war activities.

We have also substantially completed the initial equipment of the Army and Navy and their air forces. Although we have now a Merchant Marine four times its pre-war tonnage, the terrific strain of global war makes necessary some further addition to the cargo and tanker fleet.

Our forces engaged in battles in Europe and Asia expend munitions at a prodigious rate. The main job now is that of replenishing equipment and supplies and of providing our fighting men with the most up-to-date weapons which can be contrived. Some weapons of which we had sizable inventories only a few months ago must now be produced in increased quantities. More than one-fourth of present war production is in critical items. Untimely relaxation in war production spells greater sacrifice in human lives and delays victory.

Expenditures for pay and subsistence of the armed forces still are increasing because of the higher pay for a larger number of soldiers and sailors stationed overseas. Expenditures for mustering-out payments are also increasing as a result of the considerable turnover in our forces.

The war expenditure estimate for the fiscal year 1946 also provides for continuance of subsidies paid out of funds of the Reconstruction Finance Corporation to assure war output and to stabilize the cost of living. It excludes payments of the Department of Agriculture for the farm price support and related agricultural programs, which are discussed elsewhere in this budget. No allowance is made either for possible addition of new subsidy programs or for discontinuance or reduction of existing programs, although I hope that a reduction will become possible. In accordance with legislation enacted by the last Congress, I shall submit detailed recommendations for these programs at a later date.

War exependitures are expected to decline in the fiscal year 1946: our war construction and initial military equipment are substantially complete, and our supply lines have been filled. The extent of that decline depends on the course of the war. The composition of war expenditures will change considerably in any case.

There has been overoptimistic speculation about the possible cut in war expenditures when major hostilities in Europe end and our main efforts are concentrated on the Japanese campaign. We should make a great mistake if, in our military and budgetary planning, we underestimate the task of defeating Japan. Japan now occupies twice the area which was held by the Nazis in Europe at the peak of their power, an area as large as the continental United States. The population now under Japanese control is more than three times the population of the United States.

The supply lines to the Pacific and Asiatic theatre are two and three times the distance of Europe, and the turn-around time for ships has been two-thirds greater. As the battle against Japan mounts, more cargo will have to be shipped over greater distances.

Our task in Europe will not end with the cessation of hostilities there. The war will not be won unless we accept our share of responsibility for the administration of occupied territories and for relief and rehabilitation in the liberated areas. Expenditures for these tasks are part of the war budget.

Appropriations for the War Program

The uncertainties of war require that the budgets of the military agencies be sufficiently large and flexible to permit them to meet all demands that may arise. Adequate appropriations and contract authorizations enable the war agencies to make commitments and to place procurement contracts far enough ahead for industry to plan the various stages of production. On the other hand, we should, of course, also be prepared to adjust our war programs downward if the development of the war allows.

The Congress has placed administrative controls in the executive office of the President by granting authority, under legislation expiring June 30 1945, to limit personnel in the Federal agencies and has reinforced them by requesting reports on unobligated balances of war appropriations.

There is a considerable time lag between the legislative authorization or appropriation for war supply, the obligation or placement of orders with contractors, the final payment on delivery of finished munitions. The huge authorizations and appropriations voted by the Congress in the early years of the war enabled the war agencies to place munitions contracts for later delivery. We are now paying for deliveries under these contracts.

Unliquidated obligations for the war program totaled $100.000.000.000 at the beginning of the fiscal year 1944; they had been reduced at the end of November, 1944, to about $66,000,000,000 by payment or, in some cases, by cancellation.

Appropriations and authorizations for war purposes, in the general and special accounts, for the fiscal year 1944 were $120,000,000,000. For the fiscal year 1945, they declined to $85,000,000,000, and for the fiscal year 1946 are now tentatively estimated at $73,000,000,000. These totals include reappropriations and contract authorizations required for new obligations. The total war program, measured by such appropriations and authorizations together with net commitments of Government corporations for the fiscal years 1941 through 1946, will total $450,000,000,000, as shown in the following table:

THE WAR PROGRAM

Description:	Cumulative from July 1, 1940 to June 30, 1945	June 30, 1946
Authorization:		
Appropriations	$362,700,000,000	$423,400,000,000
Unliquidated contract authorizations	13,100,000,000	11.100,000,000
*Net commitments of Reconstruction Finance Corporation and affiliates	16,500,000,000	15,200,000,000
Total authorizations	$392,300,000,000	$449,700,000,000
Expenditures:		
General and special accounts	279,400,000,000	348,800,000,000
Reconstruction Finance Corporation and affiliates (net)	9,400,000,000	10,000,000,000
Total expenditures	$288,800,000,000	$358,800,000,000
Unobligated balances and unliquidated obligations end of period	103,500,000,000	90,900,000,000

*Gross commitments less withdrawals and cancellations and less receipts from rents, repayments and sales.

The estimated appropriations and authorizations for war for the fiscal year 1946 are composed of $59,000,000,000 of new appropriations and authorizations, and $14,000,000,000 of reappropriations of funds previously appropriated for war but not yet obligated. Unobligated balances of prior-year appropriations and authorizations to the Maritime Commission are adequate to carry out the merchant ship construction program as now approved. Detailed recommendations for most war activities will be transmitted in the spring.

These tentative estimates of appropriations include provisions for continuing lend-lease aid to our Allies. They are based on the assumption that the Lend-Lease Act will be re-enacted prior to its expiration on June 30, 1945.

About one-sixth of present war outlays are for lend-lease and for relief and rehabilitation. We shall continue to provide lend-lease, and our Allies to provide reciprocal aid, to the full extent necessary to win the war. Lend-lease has been and will be an instrument of war; it will be liquidated with the end of the war. But when the war draws to a close in any theatre, it may become urgently necessary for us to assist in relieving distress in the liberated areas. Appropriations to the War Department make some provision for civilian supply in territories occupied by the Army, but only to the extent necessary in the interest of military operations. For relief and rehabilitation after the battle lifts, the Congress has already authorized $1,350,000,000 as the contribution of the United States to the United Nations Relief and Rehabilitation Administratioin. To date appropriations of $450,000,000 and transfer authorizations from lend-lease of $350,000,000 have been made as our share for immediate needs under this program. If the appropriated amount proves inadequate, we must take additional measures, in cooperation with the United Nations, to make sure that the peoples of the liberated countries have essential relief from the devastation of war.

Appropriations and Expenditures for Other Than War Activities

Aftermath of War

In last year's budget message I indicated the inevitable increase of expenditures in the aftermath-of-war category, particularly expenditures for war veterans, interest on the public debt, and tax refunds. Total expenditures for these purposes are increasing from $1,600.000.000 in 1939 to an estimated $7,200,000,000 in the current fiscal year and will probably amount to $9,800,000,000 in the next fiscal year. This increase arises directly out of the war. The 1946 total is larger than the whole Federal budget five years ago.

Veterans' Pensions and Benefits

Although the full impact of the veterans' program will not be felt until the years following demobilization, the total estimated requirements for 1946 of $2,623,000,000 represent about 20% of the total appropriations for other than direct war purposes. They are more than double the total appropriated for the veterans' program in the current fiscal year.

Additional appropriations for the current fiscal year will become necessary to cover increased pension costs occasioned by losses in service; to conform with recent legislation increasing coverage and liberalizing payments to veterans of former wars and to their dependents; and to carry out the provisions of the Service Men's Readjustment Act of 1944. The estimated supplemental appropriations include these items.

Pension costs during the fiscal year 1946 are expected to increase sharply to a total of $1,080,000,000, and the costs of education, readjustment allowances and loan guarantees to $295,000,000. In addition, $1,000,000,000 are provided for losses resulting from the hazards of the war among holders of national service life insurance policies and $85,000,000 for construction and reconditioning of hospital facilities. This hospital construction program (shown in the budget under General Public Works), together with Army facilities later to be made available to the Veterans Administration, may ultimately provide 300,000 beds.

The time and rate of demobilization will greatly affect the expansion of education, readjustment allowance, loan guarantee and rehabilitation activities of the Veterans Administration. The number of veterans of the present war will increase until at full tide these veterans will constitute one-tenth of the population and almost one-fourth of the labor force. The responsibility which we are assuming for their jobs, education, medical care and financial assistance makes it increasingly essential that these programs for veterans be integrated with other programs of like nature affecting the whole nation.

Interest

Interest on the public debt is estimated to rise next year by $750,000,000 to $4,500,000,000. This rise reflects entirely the current increase in the outstanding debt. No change is anticipated in the low-interest rates at which the war is being financed.

Tax Refunds

Refunds of taxes are expected to require a total of $2.725.000,000, an increase of $556,000,000 over the fiscal year 1945. About $1,000,000,000 of this total will consist of repayments to wage and salary earners of withholdings in excess of tax liabilities.

Another billion dollars reflects the issuance of post-war bonds which cover the refundable 10% of the excess profits tax. Other corporate tax refunds are due to the recomputation of the special amortization allowances for emergency facilities certified to be no longer necessary for war production, and to the carry-back provisions of the corporate income and excess profits tax laws. The refunds arising from these provisions for corporate tax relief will reach full volume only in future years.

Agriculture

Agricultural production has continued at record levels for three successive war years. Farm income has been more than 135% of parity throughout the period. To assure continued production at a high level, I recommend appropriations for the Department of Agriculture, including the War Food Administration, of $512,000,000. Although this is considerably less than has been appropriated in the fiscal year 1945, the amount available, after adjustment for unused balances, reappropriations and transfers, will not be substantially less than the amount being used for agricultural purposes in this fiscal year. The appropriations include provision for the Agricultural Adjustment Agency, the Soil Conservation Service, the Farm Security Administration, the exportation and domestic consumption of agricultural commodities, the administration of the Sugar Act, and research and other long-established functions of the Department of Agriculture. They do not include provision for potential net expenditures of either the Commodity Credit Corporation or the Federal Crop Insurance Corporation. Of the $512,000,000 recommended, $10,000,000 for the War Food Administration is designated for war activities and $10,000,000 is for General Public Works.

Anticipating the needs of returning war veterans and the desirability of providing adequate assistance to small, low-income farmers, I recommend that the borrowing authority of the Farm Security Administration be increased from $67,000,000 to $125,000,000 for rural rehabilitation and from $15,000,000 to $50,000,000 for the tenant purchase program. I recommend that the borrowing authority of the Rural Electrification Administration be increased from $25,000,000 to $150,000,000 in order to permit the extension of electricity to at least part of the 6,000,000 rural families now without such service. I have already given my approval to a recommendation of the War Food Administrator for an increase of $2,000,000,000 in borrowing authority of the Commodity Credit Corporation. I shall recommend appropriations for financing the revived program for crop insurance in the very near future.

This agricultural budget is a wartime budget. It does not fully reflect desirable long-time objectives. In the future, we must develop a program to eliminate malnutrition and rural poverty. The Government is committed to support agricultural prices to farmers at a fair level for two years after the war. Farmers and the Nation as a whole must be protected from heavy fluctuations in agricultural prices and income, and this must be accomplished without the accumulation of unmanageable surpluses. So long as a large number of people have an inadequate diet, we cannot have a true surplus of agricultural production. We can have only too much of the wrong things.

Social Security, Retirement and Education

Social Security

Appropriations for administration and grants under the Social

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President Roosevelt's Budget Message to Congress For 1946

(Continued from page 295)

Security program are estimated at $494,000,000 for the fiscal year 1946, an increase of $14,000,000 over the fiscal year 1945. This increase is largely for higher grants to match payments of the States under the Social Security Act.

I hope that the Congress will give early consideration to extension and improvement of our Social Security system and will reexamine the financial basis of the program.

Retirement Funds

Appropriations for the Government employees' retirement funds are estimated at $247,000,000 for the fiscal year 1946, an increase of $50,000,000 over the current fiscal year. This will reduce the previously accrued liabilities of the Government to these trust funds and will also provide for an increase in the number of employees currently acquiring benefit rights.

Education

As a part of the budget for the fiscal year 1946, I am recommending reorganization of the basic structure of the office of education. This reorganization will facilitate service to the States in the development of more adequate educational programs with proper emphasis on all the various aspects of education.

The training and educational programs of the Army, the Navy and civilian agencies during this war have broadened our conception of the role that education should play in our national life. The records of Selective Service reveal that we have fallen far short of a suitable standard of elementary and secondary education. If a suitable standard is to be maintained in all parts of the country, the Federal Government must render aid where it is needed—but only where it is needed. Such financial aid should involve no interference with State and local control and administration of educational programs. It should simply make good our national obligation to all our children. This country is great enough to guarantee the right to education adequate for full citizenship.

Public Works

Recommended appropriations under the General Public Works program in the fiscal year 1946 total $279,000,000, $93,000,000 more than appropriated for the current year. Balances brought forward from public works appropriations of several years ago are about used up. Even with the recommended new appropriations, the program as a whole will be limited; actual construction will continue to be restricted to those projects which contribute to the war effort. Because of the completion of some of this war-related construction, expenditures are estimated to decrease slightly in the next fiscal year.

I recommend, however, appropriations for the planning of public works which the Congress has already authorized. We must continue to stock up a shelf of meritorious construction and development projects to be undertaken as manpower and material become available. By the end of the current fiscal year, detailed plans will be ready for about $1,500,000,000 of Federal public works, and also will be substantially ready for a $1,000,000,000 program of Federal-aid highways, half of this road program to be financed with State funds. We need a larger shelf of detailed plans in order to be prepared for the post-war period. Hence, appropriations for 1946 are recommended to make possible the completion of additional plans for highways, flood control, river development, stream pollution control, power transmission, reclamation, hospital and other construction, as authorized by law. Further requests for funds for detailed planning of Federal projects will be made on Congressional authorization.

Plans have been completed or are in the design stage for about $3,000,000,000 of State and local public works, excluding Federal-aid highways. The War Mobilization and Reconversion Act authorizes funds for Federal loans and advances which would make it possible to place further projects on the shelf of planned public works. The extent to which Federal funds are needed to enable States and localities to plan adequately for useful public works is now being re-examined, and I shall soon transmit a new recommendation concerning funds for these purposes.

In addition, programs are being developed for Federal loans and guarantees to stimulate private construction after the war. Guarantees and loans already available under the Service Men's Readjustment Act will encourage residential, commercial and farm building.

General Government

The civil departments and agencies of the Federal Government have been fully geared to the war effort. Appropriations for other than direct war or war-related activities have been reduced to rock-bottom. When the war situation permits a reduction in the war program, it will also be possible to reduce war activities of the civil departments. Such activities should be curtailed wherever possible. The Bureau of the Budget has been instructed to review currently the activities of the various Government agencies and to recommend such changes as become desirable in light of changing war requirements.

Agencies which will play a leading role in the peace effort must begin preparations for a progressively larger job. I recommend, for instance, an increase in the appropriations for the Department of State in order that it may be more adequately staffed at home and abroad. To prepare for the expected increase in workload, increases in appropriations are recommended for the Bureau of Foreign and Domestic Commerce, the Office of the Administrator of Civil Aeronautics, and a few other agencies.

Recommended appropriations for general government for the fiscal year 1946 are slightly below those enacted for the current fiscal year. If supplemental appropriations for overtime pay are adopted, requirements for general government may be somewhat above those for the current year.

Government Corporations—Other Than War Activities

Receipts of Government corporations (excluding war activities) will exceed expenditures for purposes other than debt retitrement by $27,000,000 in the fiscal year 1946, and by $224,000,000 in the current fiscal year.

The operations of the Commodity Credit Corporatioin in connection with the farm and food programs require net outlays of $1,000,000,000 during the current fiscal year. This assumes a supplemental appropriation of $256,000,000 to restore impaired capital of the corporation.

The estimate for the fiscal year 1946 provides for net expenditures of $572,000,000, which will absorb practically all the funds available to the corporation under its present maximum borrowing authority of $3,000,000,000. If the Congress approves the pending recommendation for a further increase in the borrowing authority, increased operations of the corporation may result in additional net expenditures in the fiscal year 1946.

Activities of other Government corporations are expected to show smaller net receipts than during the fiscal year 1945. Liquidation of pre-war loans and other assets will probably taper off. Some expansion in the non-defense lending activities of the Reconstruction Finance Corporation is also anticipated. The net receipts of Government corporations, in both the fiscal years 1945 and 1946, reflect substantial transfers of funds necessary to retire outstanding obligations of the Federal Land Banks.

Federal Personnel

Most of the Federal civilian employees are engaged in essential war work and must stay on the job as long as the war lasts. Government war services have suffered in recent months by departure of personnel, partly because of overoptimism about early victory, partly because of concern about employment opportunities after the war.

The total number of paid Federal employees in the continental United States in November, 1944, was slightly under 2,900,000, of whom 2,040,000 were in the War and Navy Departments and other war agencies and 836,000 in the postoffice and other peacetime establishments. The total has declined 126,000 below the peak of June, 1943. There will be further reductions as the course of the war permits, but our main concern at the present moment is to keep essential Government personnel on the job.

Anticipated supplemental appropriations for the fiscal year 1946 include about $500,000,000 as an approximation of the additional cost of overtime pay and other salary adjustments, assuming enactment of such pay legislation as the Congress may authorize to replace those present acts which expire June 30, 1945. This allowance has not been allocated among the detailed war and other appropriation estimates to which it relates. The Budget estimates of personnel needs, expressed in "man-years," do, however, assume continuance of the present workweek, generally 48 hours. Under the War Overtime Pay Act of 1943, salaried employees are compensated for hours worked in excess of 40 a week. With but minor exceptions, basic salary rates have not been increased during the war.

In contrast to salaried employees, the skilled and unskilled workers, such as those in Navy yards and arsenals, have had wage adjustments which have approximately kept pace with wage rates for comparable work in private industry. They have also received overtime pay at true time and one-half rates.

The third large category of Federal employees—the postal workers—in addition to receiving overtime compensation at straight-time rates has been granted a wartime bonus.

Prior to the expiration of the overtime pay law, the Congress should re-examine the entire subject of hours of work and pay. Regardless of the progress of the war in Europe, many Federal employees will continue to be needed on a 48-hour work schedule, and provision must be made for their overtime compensation. I recommend that the Congress enact permanent legislation which would authorize overtime compensation at true time and one-half rates.

When at some future date it becomes possible for most Federal employees to go on a 40-hour work week their earnings will be materially reduced. A situation of hardship and unfairness will then exist unless an increase in basic salary rates has been granted in recognition of the rise in the cost of living. I recommend a prompt re-examination of Federal salary rates with a view to making adjustments consistent with the national stabilization policy.

Budget Totals

The discussion of expenditures for the war and for all other purposes lays the basis for presenting the budget totals and for an analysis of the impact of the Federal budget on the national economy as a whole.

Expenditures

Of the total estimated expenditures, including net outlays of Government corporations, of $83,000,000,000 for the fiscal year 1946, 84% are for direct war purposes; 12% are for veterans, interest on the public debt and tax refunds; and only 4% for all other activities of the Federal Government. Expenditures in this last group of "other activities" are estimated at $3,300,000,000, somewhat less than for the current fiscal year; they are only about one-half of what they were in the years before the start of the defense program—largely because of the reduction in work relief, aids to youth and general public works.

Net Receipts in the Fiscal Year 1946 Under Existing Legislation

Net receipts in general and special accounts under existing legislation are expected to decline from $45,700,000,000 in the current fiscal year to $41,300,000,000 in the fiscal year 1946. This development reflects, in large part, the $17,000,000,000 decrease in expenditures estimated in this budget. Such a decrease in expenditures before full reconversion to civilian production will mean smaller individual incomes and corporate profits. This in turn will bring a decrease in receipts from individual income taxes and from corporate taxes. Because the present law will expire June 30, 1945, receipts from recovery of excessive profits from renegotiated war contracts will taper off during the fiscal year 1946. I recommend that the Congress extend the authority to renegotiate war contracts.

Receipts from excise and customs are expected to continue at about the same level in the fiscal year 1946 as in the current fiscal year. Sales of surplus Government-owned war supplies and property are beginning to yield substantial amounts. These receipts will be still larger in later fiscal years.

Recommendations for Tax Legislation

Wartime taxes must be maintained as long as large-scale war expenditures are necessary. There is no justification for tax reductions as long as we are engaged in a major war. When a favorable development of the war allows a major decline in war expenditures, minor tax adjustments will become possible and desirable. I am pleased that the Joint Committee on Internal Revenue Taxation is studying the tax problems of the transition and post-war period.

Borrowing in the Fiscal Year 1946

Borrowing requirements during the fiscal year 1946 will amount to an estimated $40,000,000,000, compared with $51,000,000,000 in the current fiscal year. Federal trust funds will have $5,000,000,000 available for investment in Government securities, thus leaving $35,000,000,000 to be borrowed from individuals and financial and other institutions. These estimates assume that the Treasury general fund balance, which amounted to $20,000,000,000 at the end of the fiscal year 1944, will be reduced by $5,000,000,000 during the current fiscal year, and by $2,000,000,000 during the fiscal year 1946. They also assume that retirement of guaranteed obligations of Government corporations held outside the Treasury will be almost completed by June 30, 1945.

These large borrowing operations will require a further rise in the public debt to $292,000,000,000 on June 30, 1946. Before the debt reaches this figure a further increase in the $260,000,000,000 debt limit will be necessary.

Management of the public debt has become one of the major financial operations of the Government. To assure effective discharge of these responsibilities and, in particular, to maintain the present low rates of interest, ample powers must be available to the monetary authorities. I shall later recommend legislation reducing the present high gold-reserve requirements of the Federal Reserve Banks.

The management of the public debt is bound to have a profound influence on the economy for a long time to come. Retaining high taxes on the masses of consumers for general reduction of debt held by financial institutions may destroy purchasing power and create unemployment. But the use of progressive taxes for the redemption of bonds held by millions of individual savers may have a stabilizing influence on incomes and employment. I favor a policy of orderly but steady debt reduction, consistent with the objectives of long-run economic policy. The mistakes in debt management and tax policy after the last war should not be repeated.

Economic Controls and Reconversion

As long as we are at war—at war against two powerful enemies or against only one of them—we will give unqualified priority to all war production and to all manpower needs of war. Nevertheless, some reconversion of war industries may become possible, dependent on the progress of the war.

The foundation for dealing with the main reconversion problems has been laid by the Contract Settlement Act, the Surplus Property Act, and the War Mobilization and Reconversion Act; the machinery for the administration of these acts is being put in operation. Still a great many problems remain to be solved if we are to be ready for successful reconversion. We may have a scarcity of manpower in certain industries and regions, while temporary unemployment may develop in others. We may have surpluses of some commodities and a downward tendency in certain prices, particularly of raw materials, while scarcities cause a continuing upward pressure on other prices.

The human side of reconversion requires effective organization to aid each discharged war veteran and war worker to find his way back into productive peacetime employment. As far as veterans are concerned, the basis is laid by the Servicemen's Readjustment Act. I have already emphasized the need to strengthen our Social Security program. With respect to the reconversion period, I am particularly concerned over the fact that broad categories of workers are not covered by present legislation and that present standards for unemployment compensation are not adequate in many States. To promote employment opportunities and to assure the proper occupational adjustment of returning veterans and war workers, a strong, integrated system of public employment offices is a basic necessity. We can best accomplish this objective by the establishment, through permanent legislation, of an effective national employment service with adequate coverage throughout the nation. For the reconversion period we should provide assistance for travel and retraining of war workers.

We must also see to it that our administrative machinery for the adjustment of labor disputes is ready for the strains of the reconversion period. We must apply some of our wartime lessons in labor-management cooperation in working out a sound long-range labor policy implemented by permanent mediation machinery for the adjustment of labor disputes.

The material side of reconversion should also be conducted with a view toward the long-range objectives of economic policy. Surplus property disposal should contribute to filling the needs of production, domestic and foreign. It should be carried on with full recognition of the objectives of price stability.

Every effort should be made to achieve full civilian use of plants built for war purposes when they are no longer needed for war production and to facilitate their rapid transfer to private industry for productive use. If prompt transfers of ownership cannot be made, temporary lease arrangements may facilitate early productive use while permanent arrangements for transfer are being worked out.

Statistical information concerning business activities and markets, employment and unemployment, incomes, expenditures and savings is urgently needed as a guide for economic policies during the remainder of the war and during the reconversion and post-war periods. I recommended appropriations for this purpose to the last Congress. I shall transmit recommendations in the near future for those essential parts of the program on which the Congress took no action. Business, agriculture, labor and the Government need to know the basic economic facts if each is to play its role with maximum effectiveness during the months and years ahead.

International Financial Programs

As the war progresses, we must hasten our plans to secure world-wide economic cooperation in both the transition period and the post-war period. We have learned that just as the United States cannot afford to be isolationist in its political philosophy, neither can it stand the malignant effects of economic isolationism.

Last July the United Nations Monetary and Financial Conference formulated articles of agreement for the establishment of an international monetary fund and an international bank for reconstruction and development. These institutions will be integral parts of a broad program for cooperation among the United Nations in those areas of economic contact where failure to adopt common policies will result in economic "spite fences," economic waste and economic warfare.

A concrete program for international monetary and financial cooperation at an early date is essential. In the first place, all countries agree that a solution must be found for the evils that stem from the unstable and destructive exchange practices which the fund is designed to eliminate. Second, the need for international investment is already becoming acute. The liberated countries will require loans for the reconstruction of their industry, their transport, their cities, their agriculture and their trade. The international bank will make direct long-term loans out of its capital or from borrowed funds, and particularly will guarantee private loans for these purposes. While the proceeds of these loans will be spent to procure equipment in the countries where it is available, the risks of lending will be spread equitably among all member countries.

It is therefore imperative that both the fund and the bank be established at once in order that they may be properly staffed and equipped to cope with problems which are already developing as the countries in Europe are liberated. Accordingly, I urge acceptance of the agreements and recommend the enactment of legislation which would permit the United States to make its proportionate investment in the Fund and the Bank.

In addition to the operations of the International Bank, there will continue to be many types of foreign investment in which a national financial institution such as the Export-Import Bank should participate, especially during the next few years when the foreign demand for our products will be particularly heavy. The Export-Import Bank will provide short and medium-term credits to finance our exporters. It will also undertake long-term lending for reconstruction and development in cases where special American purposes are to be served and other countries may not wish to participate. In collaboration with private banks, manufacturers, engineers and exporters the Export-Import Bank has had ten years of successful experience in these fields. At present its resources available for new operations are very limited. In order that it may play its part in the reconstruction period I recommend early expansion of its lending power.

At present our foreign investment programs are impeded by legislation which restricts loans to those countries which are in default on loans arising out of the first World War. For both the International Bank and the Export-Import Bank to operate effectively, as well as to achieve an adequate flow of private investment, it is essential that these restrictions be removed.

National Income, Production and Economic Controls

The American Nation has almost doubled its total output of goods and services under the impact of the war program. Slightly less than one-half of this total output is purchased by the Federal Government. What is left for civilian consumption has been sufficient to provide most of us with better living standards than prevailed before the war.

The national economy is operating at extremely high levels of income and expenditure. Despite wartime taxes and large wartime savings, consumers and business have sought to buy more than the available supply of goods and services. Nevertheless, prices have been substantially stabilized through vigorous application of our stabilization program and the cooperation of the American people. Whereas the cost of living has increased by between 25 and 30% since 1939, it has risen only about 2% since the "hold-the-line" order of April, 1943. Holding the line on prices and wages has prevented, and is still preventing, inflationary developments.

The reduction in war expenditures, which I hope the progress of the war will permit during the next fiscal year, will result in somewhat lower wartime incomes, even if wage ceilings are adjusted upward to avoid reduction in average hourly rates when overtime is curtailed. Nevertheless, the demand for goods and services will undoubtedly still be great and we can be sure of eager buyers for whatever durable goods industry might produce.

When war production is extensively reduced some of the controls which were needed in an all-out war economy can be relaxed, although other controls must be continued to assure necessary war production and orderly reconversion. For example, we must avoid speculation in inventories such as contributed to the inflation after the last war. The fact that many businesses and individuals have ample funds for a buying spree necessitates caution in relaxing controls. The balance between incomes, savings and expenditures will still be precarious during the reconversion period. It will therefore be necessary to retain the machinery for allocation and price controls as long as certain materials and finished goods are in short supply. I therefore recommend extension of the Economic Stabilization Act before its expiration on June 30, 1945.

In general, it will be our policy to hold the over-all cost of living and to permit only such adjustments as are conducive to the full utilization of available resources and compatible with the general objective of economic stabilization. As long as we are engaged in a war with desperate and resourceful enemies, war controls are needed, but they must be readjusted to changing levels of war production and civilian production.

Demobilization and Post-War Full Employment

Large-scale demobilization can hardly be expected to begin during the period covered in this budget. Nevertheless, as we continue to mobilize for a long, hard war, we must under no circumstances be caught unprepared for peace.

Under the impact of a huge war program, we are employing 52,000,000 men and women either in war production or in production and service for civilian purposes, while another 12,000,000 are serving in the armed forces. After the war many of them will retire or resume their schooling or devote themselves to their homes and families. But such reduction in the civilian labor force will be more than offset by demobilization of our armed forces and by the natural growth of the population of working age. Thus, before long there may be 60,000,000 men and women to be employed. Huge war expenditures have brought full employment, more than full employment. What will be the outlook when Federal expenditures are 50 and 25 billion dollars in the period of demobilization and thereafter?

The following table shows the operations of our national economy—the Nation's Budget—in the calendar year 1939 with considerable unemployment, and the same operations in the calendar year 1944 when we had moved to a much higher level of incomes, expenditures and savings, involving more than full employment under the stress of war.

Manifestly, full employment in peacetime can be assured only when the reduction in war demand is approximately offset by additional peacetime demand from the millions of consumers, businesses, and farmers, and by Federal, State and local governments. And that means that consumers' expenditures and business investments must increase by about 50%, measured in constant prices, above the level of the year 1939 if full employment is to be provided by private enterprise.

The Government's Budget and the Nation's Budget

Calendar Years 1939 and 1944

*(Current prices, in billions)

Economic Group	Calendar Year 1939 Receipts	Calendar Year 1939 Expenditures	Calendar Year 1939 Excess (+), deficit (—)	Calendar Year 1944 Receipts	Calendar Year 1944 Expenditures	Calendar Year 1944 Excess (+), deficit (—)
Consumers						
Income after taxes	$67.3			$132.8		
Expenditures		$61.7			$97.0	
Savings (+)			+$5.6			+$35.8
Business						
Undistributed profits and reserves	$8.3			$12.3		
Gross capital formation		$10.9			$2.6	
Excess of receipts (+) or capital formation (—)			—$2.6			+ $9.7
State and Local Government						
Receipts from the public, other than borrowing	$8.9			$10.4		
Payments to the public		$9.1			$8.8	
Excess of receipts (+) or payments (—)			—$0.2			+ $1.6
Federal Government						
Receipts from the public, other than borrowing	$6.5			$47.9		
Payments to the public		$9.3			$95.0	
Excess of receipts (+) or payment (—)			—$2.8			—$47.1
†Less: Adjustments	$2.4	$2.4		$5.9	$5.9	
Total: Gross National Product						
Receipts	$88.6			$197.5		
Expenditures		$88.6			$197.5	
Balance			--			--

*Prices in 1944 were between 25 and 30% above 1939.

†Mainly Government expenditures for other than goods and services.

Consumers' purchases of durable goods, business non-war investments, and capital outlays of the Governments for non-war purposes have been so low during recent years that a large backlog of demand will be carried over into the post-war period. Individuals, however, will buy the new car or build the new home only if they feel secure in their jobs; business men will expand plant and buy new machinery only if they feel confident of profitable markets for additional products.

The American people have learned during the war the measure of their productive capacity, and they will remember that experience in the peace to come. It is the responsibility of business enterprise to translate market opportunities into employment and production. It is the responsibility of the Government to hold open the door of opportunity and assure sustained markets. Then and only then can free enterprise provide jobs.

Full employment after the war is not only a matter of immediate self-interest, but also part of our stake in world stability and prosperity. Other countries are anxiously awaiting the development of our policy and will be more willing to make international commitments if they are assured of high post-war employment in the United States. They are fully aware that international cooperation cannot succeed unless the United States is prosperous.

We must attack the employment problem on every front.

For instance, we must overhaul the wartime tax structure to stimulate consumers' demand and to promote business investment. The elements of such a tax program should be developed now so that it can be put into effect after victory.

We must make sure that there are opportunities for new and growing business. The national and international policies which

(Continued on page 298)

Authorize Public Works In Virgin Islands

A bill authorizing a $10,000,000 Public Works program in the Virgin Islands to provide slum clearance, fire protection, water supply, highways, sanitation and medical facilities, was reported signed by President Roosevelt on Dec. 21. On that date advices from Washington to the New York "Times" said:

Charles Harwood, Island Governor, said in a statement here today that the cost of the project would "practically be paid for" out of part of the record internal revenue taxes paid into the Treasury on rum and other alcoholic beverages made in the islands and shipped to the mainland. This revenue, he added, totaled nearly three times the cost of the public works program this year.

The program, which will be carried out under the direction of the Federal Works Administrator, was initialed three years ago by Governor Harwood and is to be started as soon as manpower and materials are available. With defense projects on the Islands now completed, Governor Harwood said the Islanders already had begun to experience a serious reaction from the wartime construction boom.

The House Committee on Insular Affairs, where the legislation containing the authorization originated, described the program as appearing to be "the first over-all and comprehensive program for the betterment of the Virgin Islands that has been submitted to Congress."

The law provides that $2,028,000 shall be available during the present fiscal year, and $2,000,000 a year for the next four years.

November Steel Payrolls Increased

A total of $143,137,000 in payrolls was distributed by the steel industry in November, an increase over the October total of $141,657,000 despite the shorter month, according to the American Iron and Steel Institute, which further reported as follows:

"In November a year ago $141,467,000 in payrolls were distributed by steel companies.

"The average number employed in the industry in November was virtually unchanged from the preceding month, the average being 564,200 in November as against 564,300 in October. In November 1943 the total number of employees in the industry was 611,000, a figure not comparable with the average number shown on the reports for 1944.

"Wage earning employees in the industry earned an average of 120.2 cents per hour in November, compared with 118.3 cents per hour in October and 116.4 cents per hour in November a year ago.

"Wage earners worked an average of 47.7 hours per week in November, which compared with 46.3 hours per week in October and 44.8 hours per week in November 1943."

Money in Circulation

The Treasury Department in Washington has issued its customary monthly statement showing the amount of money in circulation after deducting the money held in the U. S. Treasury and by Federal Reserve Banks and agents. The figures this time are those of Nov. 30, 1944, and show that the money in circulation at that date (including of course that held in bank vaults of member banks of the Federal Reserve System) was $25,019,073,463 as against $24,425,292,971 on Oct. 31, 1944, and $19,918,176,489 on Nov. 30, 1943, and compares with $5,698,214,612 on Oct. 31, 1920. Just before the outbreak of the first World War, that is, on June 30, 1914, total was $3,459,434,174.

Text of President Roosevelt's Budget Message To Congress for 1946 Fiscal Year

(Continued from page 297)

we adopt now, affecting trade, credit, investment, and competition and monopoly, largely determine future business and employment opportunities.

We must develop the human standards and material resources of the Nation, which in turn will tend to increase our productivity and most effectively support business expansion and employment. Our program should include provision for extended social security, including medical care; for better education, public health, and nutrition; for the improvement of our homes, cities and farms; and for the development of transportation facilities and river valleys. We must plan now so that these programs can become effective when manpower and material are available.

I shall from time to time submit to the Congress recommendations for legislative measures to implement our demobilization program and to assure jobs for all returning war veterans and discharged war workers.

Our productive achievements during the war have demonstrated once and for all the progress which this Nation can support, the progress which will be required if all our resources are to be put to adequate peacetime use. The war, however, will also leave us deep distortions in our economic life which must be overcome. We owe it to those who give everything that we set our sights as high for peace as we set them for war.

FRANKLIN D. ROOSEVELT.
Jan. 3, 1945.

*BUDGET SUMMARY OF RECEIPTS AND EXPENDITURE

General and Special Accounts

Description:	Estimated 1946	Estimated 1945	Actual, 1944
Receipts (based on present legislation):			
Direct taxes on individuals	$15,631,700,000	$18,900,100,000	$20,290,365,711.84
†Direct taxes on corporations	16,263,100,000	17,042,600,000	15,255,964,759.07
Excise taxes	5,647,330,000	5,664,090,000	4,399,560,440.57
Employment taxes	2,066,900,000	1,806,800,000	1,751,239,423.32
Customs	326,300,000	326,100,000	431,252,168.24
Miscellaneous receipts	2,919,422,000	3,283,085,000	3,280,059,524.96
Total receipts	$42,854,752,000	$47,022,775,000	$45,408,442,028.00
Deduct net appropriation for Federal old-age and survivors insurance trust fund	1,599,880,000	1,293,060,000	1,259,515,059.93
Net receipts, general and special accounts	$41,254,872,000	$45,729,715,000	$44,148,926,968.07
Expenditures:			
War activities (tentative estimate for 1946) (see also Govt. corporations below) ‡	§$69,400,000,000	§$88,000,000,000	$87,038,671,937.86
Interest on the public debt	4,500,000,000	3,750,000,000	2,608,979,805.62
Refunds	¶2,724,769,600	¶2,171,986,000	¶266,669,657.53
Veterans' pensions and benefits	2,611,667,350	1,263,858,437	725,086,145.13
Aids to agriculture	409,715,500	465,143,800	765,260,323.13
Social security, relief and retirement:			
Social security program	497,981,000	485,535,000	511,419,398.77
Work relief	13,545,000	17,046,200	23,009,726.83
Retirement funds	488,548,800	556,260,500	440,041,600.00
Aids to youth	--------	--------	169,887.07
General Public Works Program	393,812,000	411,205,700	377,091,859.64
General government:			
Legislative branch	30,217,165	29,088,393	28,780,791.24
The judiciary	14,627,190	13,538,760	13,076,688.49
Executive office of the President	3,052,000	2,581,000	2,401,525.13
Civil departments and agencies	1,089,108,940	1,149,616,550	959,021,353.67
Postoffice Depart. (general fund)	--------	--------	**22,167,486.27
Dist. of Colum. (Fed. contribu.)	6,000,000	6,000,000	6,000,000.00
Expenditures from anticipated supplemental appropriations	347,395,000	590,478,000	--------
Statutory public debt retirement	--------	--------	1,650.00
Total expenditures, general and special accounts	$82,530,439,545	$98,912,338,340	$93,743,514,863.84
Excess of expenditures, general and special accounts	$41,275,567,545	$53,182,623,340	$49,594,587,895.77

Checking Accounts of Government corporations and Credit Agencies with the Treasurer of the United States

Description:	Estimated 1946	Estimated 1945	Actual, 1944
Net expenditures from checking accounts:			
War activities	$600,000,000	$1,000,000,000	$2,681,633,923.52
Redemption of obligations in the market	657,000,000	1,874,459,075	2,873,580,916.48
Other activities	**27,000,000	**224,170,000	**1,152,146,165.50
Net expenditures, checking accounts of Govt. corps. and credit agencies	$1,230,000,000	$2,650,289,075	$4,403,068,674.50

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*This table is explained in Appendix 1.

†Includes the following estimated amounts for excess-profits taxes refundable in the postwar period: 1946, $783,600,000; 1945, $859,500,000, and 1944, $688,800,000.

‡Because of possible material changes in war conditions, the detailed estimates of appropriations for fiscal year 1946 for most of the major "war activities" will be submitted to Congress in the Spring of 1945 in a war supplement to the Budget. Consequently, the estimated expenditures for fiscal year 1946 are tentative.

§Includes estimated expenditures from anticipated supplemental appropriations for fiscal years 1945 and 1946.

¶Includes transfers to public debt accounts for excess-profits tax refund bonds issued.

**Excess of credits, deduct.

Trust Accounts

Description:	Estimated 1946	Estimated 1945	Actual, 1944
Receipts (based on present legislation):			
Unemployment trust fund:			
Deposits by States	$1,099,411,000	$1,256,220,898	$1,349,306,970.12
Deposits by Railroad Retirement Board and other receipts	253,738,063	245,910,781	205,902,762.14
Transfers from general and special accounts	9,729,000	8,948,000	11,699,700.00
Federal old age and survivors insurance trust fund:			
Net appropriation from general account receipts	1,599,880,000	1,293,060,000	1,259,515,059.93
Interest on investments	153,803,112	129,983,773	103,177,037.09
Veterans' life insurance funds:			
Premiums and other receipts	1,019,366,200	980,533,700	897,479,364.06
Transfers from general and special accounts	1,000,000,000	516,228,342	101,208,962.49
Federal employees' retirement funds:			
Deductions from employees' salaries and other receipts	418,998,466	381,208,477	323,242,162.44
Transfers from general and special accounts	247,316,800	196,762,500	177,321,600.00
Railroad retirement account:			
Interest on investments	19,000,000	15,000,000	9,837,049.21
Transfers from general and special accounts	241,232,000	359,498,000	262,720,000.00
Other trust accounts:			
Transfers from general and special accounts	6,000,000	6,000,000	3,159,968.50
Miscellaneous trust receipts	602,873,564	786,433,113	348,150,902.49
Total receipts, trust accounts	$6,671,348,205	$6,175,787,584	$5,052,721,588.47
Expenditures:			
Unemployment trust fund:			
Investments in U. S. securities	$1,292,378,063	$1,449,458,781	$1,503,000,000.00
Withdrawals by States and other expenditures	70,500,000	65,500,000	60,590,783.79
Federal old-age and survivors insurance trust fund:			
Investments in U. S. securities	1,452,683,112	1,191,108,890	1,172,035,880.00
Benefit payments	301,000,000	238,000,000	184,597,363.80
Veterans' life insurance funds:			
Investments in U. S. securities	1,696,489,500	1,297,364,742	921,742,266.12
Insurance losses and refunds	322,876,700	199,397,300	64,958,490.84
Federal employees' retirement funds:			
Investments in U. S. securities	532,960,906	449,006,082	392,919,000.00
Annuities and refunds	133,354,360	133,458,008	102,662,500.69
Railroad retirement account:			
Investments in U. S. securities	112,000,000	232,000,000	140,500,000.00
Benefit payments	148,500,000	142,000,000	134,415,832.07
Other trust accounts:			
Investments in U. S. securities	*5,159,100	*11,358,000	*1,378,000.00
Miscellaneous trust expenditures	608,858,008	776,815,047	24,333,745.88
Total investments in U. S. secur.	$5,081,352,481	$4,607,580,495	$4,128,819,146.12
Total benefit payments, annuities and other expenditures	1,585,089,068	1,555,170,355	571,558,717.07
Total expenditures, trust accounts	$6,666,441,549	$6,162,750,850	$4,700,377,863.19
Excess of recipts over expenditures, trust accounts	$4,906,656	$13,036,734	$352,343,725.28

*Excess of credits, deduct.

Effect of Operations on the Public Debt

Description:	Estimated 1946 $	Estimated 1945 $	Actual, 1944 $
Public debt at beginning of year	251,800,000,000	201,003,387,221	136,696,090,329.90
Increase in public debt during year:			
General and special accounts, excess of expenditures over receipts	41,275,567,545	53,182,623,340	49,594,587,895.77
Checking accounts of Government corporations and credit agencies with the Treasurer of the United States (net)	1,230,000,000	2,650,289,075	4,403,068,674.50
Trust accounts, excess of receipts over expenditures	—4,906,656	—13,036,734	—352,343,725.28
Statutory public debt retirement	--------	--------	—1,650.00
Adjustment for change in Treasury cash balance	—2,000,660,889	—5,023,262,902	+10,661,985,696.24
Inc. in public debt during year	40,500,000,000	50,796,612,779	64,307,296,891.23
Public debt at end of year	292,300,000,000	251,800,000,000	201,003,387,221.13

Net Operating Earnings of Brooklyn Trust

Net operating earnings of Brooklyn Trust Company, of Brooklyn, N. Y., for the year 1944 after all expenses, interest, and taxes excepting Federal income taxes, were $1,051,079, and after provision of $144,000 for estimated Federal taxes on 1944 net income, there remained a balance of $907,079. The comparable figures for 1943 were $820,524 before Federal income taxes and $790,198 after payment of such taxes applicable to 1943 income. In computing the foregoing earnings figures, says George V. McLaughlin, President of the Company, the following items, among others, were deducted as expenses: Depreciation on bank buildings and other real estate, amortization of bond premiums, deposit insurance assessment, and unemployment insurance and social security taxes. These items totaled $607,066 in 1944. Mr. McLaughlin, at the annual meeting of the stockholders, on Jan. 8, also reported that the disposition of the company's earnings was as follows: to reserve for contingencies, $304,025; to undivided profits, $25,054; to surplus, $250,000; dividends paid, $328,000; total, $907,079. Recoveries on charged-off loans and profits on sales of securities were credited directly to reserve accounts and were not included in earnings, according to Mr. McLaughlin, who added:

"The company's holdings of United States Government securities were $152,921,563 at the end of the year, against $120,377,755 at the beginning, a net increase of $32,543,808. Approximately 37% of our holdings mature within 5 years, 55% either mature or become callable in from 5 to 10 years, 4% mature or become callable in 10 to 20 years, and 4% are not callable within 20 years.

"During the year the company was able to make 935 loans to companies working on war contracts, the total amount of these loans being $25,697,001.

"Since the war program began in 1940 the company has loaned a total of $83,328,816, exclusive of renewals, to finance production or construction for the war effort. At the end of 1944 the total of such loans outstanding was $5,375,937, all the remainder having been repaid in the usual course of business.

"During the year 1944 Brooklyn Trust Company sold to the public a total of $118,130,500 in United States Government securities of all types. This is an increase of approximately $50,000,000 over 1943, when sales to the public amounted to $68,882,300. All officers and employees of the company are purchasing War Savings Bonds through a payroll allotment plan.

"The book value of our bank buildings and other real estate showed a total reduction of $370,259 during the year. Bank buildings were carried at $3,946,321 at the year-end, a reduction of $284,090 during the year, of which $100,000 represented a charge to reserve for contingencies and the remainder was the usual depreciation charge. Other real estate was carried at a book value of $1,000 in the year-end statement, a reduction of $86,169 during the year. This reduction was due principally to sales. Mortgages owned at the end of the year were carried at $1,263,767, equivalent to about 79% of their face value.

"The company owns no stocks other than those of the Federal Reserve Bank of New York and the Brooklyn City Safe Deposit Company, and no defaulted bonds. Holdings of corporate securities are carried at $3,553,833, which is less than their present market value.

"Approximately 36% of the male employees who were in our employ before the first draft are now in the armed services. We report with regret that two have been killed in action, and two others have been wounded. Our service men have been replaced principally by women and to some extent by men over military age. Women employees now comprise well over half of our clerical staff. We are making every effort to conserve available man-power by improving operating efficiency and eliminating every non-essential item of work.

"As already noted, the company has been doing everything possible in the furtherance of our war effort, including the sale of War Bonds to the public, the purchase of War Bonds for its own account, the making of loans to war contractors, handling redemptions of War Bonds and the carrying of Ration Banking Accounts. It will continue to do so until the end of the war. At the same time, we are making studies to determine the best methods of employing our resources after peace comes, so that we will be prepared to serve the post-war requirements of the public."

NYSE Short Interest Lower In December

The New York Stock Exchange announced on Jan. 8 that the short interest as of the close of business on Dec. 29, 1944, settlement date, as compiled from information obtained by the New York Stock Exchange from its members and member firms was 1,390,713 shares, compared with 1,436,271 shares on Nov. 30, both totals excluding short positions carried in the odd-lot accounts of all odd-lot dealers. As of the Dec. 29, 1944, settlement date, the total short interest in all odd-lot dealers' accounts was 33,228 shares, compared with 37,079 shares on Nov. 30. The announcement of the Exchange added:

Of the 1,259 individual stock issues listed on the Exchange on Dec. 29, 1944, there were 76 issues in which a short interest of 5,000 or more shares existed, or in which a change in the short position of 2,000 or more shares occurred during the month.

In the following tabulation is shown the short interest existing at the close of the last business day for the last 12 months:

1944—	
Jan. 31	847,335
Feb. 28	960,617
Mar. 31	1,028,480
Apr. 29	1,090,581
May 31	1,181,293
June 30	1,287,970
July 31	1,327,641
Aug. 31	1,283,555
Sept. 29	1,275,709
Oct. 31	1,373,540
Nov. 30	1,436,271
Dec. 29	1,390,713

Blazer Director of Cincinnati Branch of Cleve. Reserve Bank

Appointment of Paul G. Blazer, Chairman of the Board of the Ashland Oil & Refining Co., Ashland, Ky., to the Board of Directors of the Cincinnati Branch of the Federal Reserve Bank of Cleveland was announced Jan. 3 by President Ray M. Gidney. The appointment, made by the Board of Governors of the Federal Reserve System, brings to seven the number of directors in the Cincinnati Branch, where previous to this year there had been five. Mr. Blazer started his business career in 1910 as manager of the educational division of the Curtis Publishing Co. of Philadelphia. In 1916 he entered the oil business and the following year was made sales manager of the Great Southern Refining Co., Lexington, Ky. He aided in organizing the Ashland Refining Co. and rose from Vice-President and General Manager in 1924 to President in 1933. When this company was merged in 1936 with the Swiss Oil Corp., Mr. Blazer was elected President of the newly-formed company, the Ashland Oil Refining Co. He is a trustee of the National Petroleum Association, a director of the American Petroleum Institute, the Independent Petroleum Association of America, the Western Petroleum Refiners Association and the Asphalt Institute; a member of the Petroleum Industry War Council and the Kentucky Post-War Advisory and Planning Commission.

Items About Banks, Trust Companies

Percy H. Johnston, Chairman of the Chemical Bank & Trust Company of New York, announced on Jan. 11 the appointment as Vice-Presidents of Howard W. McCall, Jr., formerly Assistant Vice-President, and Howard B. Smith, formerly Corporate Trust Officer.

At the same meeting, Frank I. Curry, formerly an Assistant Secretary, was appointed Assistant Vice-President, and Fred W. Buesser, formerly Assistant Manager of the Municipal Bond Department, was appointed Manager. Other appointments were Roger S. Ames, Assistant Trust Officer; James W. Brinkerhoff, Jr., Assistant Treasurer; John H. Higgins, Assistant Comptroller; Gerald A. Hollestelle, Assistant Manager of Fifth Avenue at 29th Street Branch, and Frederick C. Farnsworth, Assistant Manager of Government Bond Department.

Regarding the new Vice-Presidents, the bank in its announcement says:

"Mr. McCall was born in Chattanooga, Tenn., and is a graduate of the McCallie School, Chattanooga, and the University of Virginia. Following his graduation from college in 1928 he became associated with the Chemical Bank & Trust Company at the Fifth Avenue at 54th Street Branch, shortly being transferred to the credit department at the main office. In 1937 he was appointed Assistant Secretary and in 1941 Assistant Vice-President. For some years he has been identified with the handling of the bank's Southern and Southwestern business and has a broad acquaintance among bankers and business men in that territory.

"Mr. Smith graduated from New York University in 1910 with a Master of Laws degree. In 1913 he received his degree of Bachelor of Commercial Science and was on the faculty of New York University as instructor of Law of Commerce and Finance for 13 years. He is a member of the Bar of the State of New York and is Chairman of the New York Stock Transfer Association. He entered the bank in October, 1928, as a Trust Officer."

The First National Bank of the City of New York, in its report of condition at the close of business on Dec. 30, 1944, shows total resources of $1,170,656,363 and total deposits of $983,652,217, compared with total resources of $1,137,195,262 and total deposits of $1,003,615,339 on Sept. 30, and $1,073,242,894 and $942,358,692, respectively, a year ago; cash and due from Federal Reserve banks and other banks, including exchanges, is listed on Dec. 30, 1944, at $140,114,061, against $155,974,909 three months ago and $144,675,789 on Dec. 30, 1943; holdings of U. S. obligations are shown at $805,569,801 on Dec. 31, 1944, compared with $818,436,859 Sept. 30 and $773,541,537 a year ago; loans and discounts are now $120,203,124, against $52,533,011, while they were $50,548,165 at the end of last year; capital and surplus remained unchanged at $10,000,000 and $100,000,000, respectively. Undivided profits on Dec. 30, 1944, are shown as $19,087,153, after making provision for the Jan. 2 dividend of $2,000,000, compared with $17,042,577 on Sept. 30 after making provision for the Oct. 2 dividend of $2,000,000 and against $14,660,318 Dec. 30, 1943, after providing for the Jan. 2, 1944, dividend of $2,000,000.

At the annual shareholders' meeting on Jan. 9 of the Public National Bank and Trust Company of New York E. Chester Gersten, President, reported deposits at an all time year-end high of $415,000,000 as against $325,000,000 last year, these figures including respectively U. S. Government deposits of $58,000,000 and $29,000,000. Earnings after all charges including substantially higher taxes, but exclusive of profits on securities and recoveries, were $1,786,000, or $4.47 per share, compared with $1,322,000, or $3.30 per share the previous year. The shareholders voted approval of the directors' action for increasing the capital stock by the payment of a 10% stock dividend. All directors were re-elected. The year-end statement of the bank was referred to in our Jan. 11 issue, Page 200.

All officers of the Grace National Bank of New York, at 7 Hanover Square, New York, were reappointed by the directors for 1945 at their meeting on Jan. 10. The officers are Chester R. Dewey, President; Vice-Presidents, James A. Allis, James H. Sharp, Robert F. C. Benkiser, Harvey V. Delapena, Edward Adams, Jr., and Luis Aguirre-Edwards; Assistant Vice-Presidents are Albert M. Heaney and William H. Bassett; Trust Officer is William J. Hussey, Assistant Trust Officers are Martin J. Grimm and Frederick L. Hyer; Cashier is E. Louis Holtermann; Assistant Cashiers are Joseph G. Burrough, George J. Wunderlich, Herbert A. Nickel and Edward S. Frese; Manager of Foreign Department is John J. Riley and the Assistant Manager is Paul J. Majoros. Of the foregoing Messrs. Adams, Hyer and Burrough are on leave of absence in the service of the United States.

A 3% dividend to stockholders of record on Feb. 26 and payable on March 1, was declared at the directors meeting.

Announcement was made by Irving Trust Company on Jan. 11 of the election of Carl F. Kurtz as an Assistant Secretary. A native of Bethlehem, Pa., Mr. Kurtz is a graduate of Lehigh University. He has been with the Irving since he left college in 1929.

East River Savings Bank at 26 Cortlandt Street, New York, announces the election of Alfred C. Middlebrook as Assistant Vice-President in charge of the Bond Investment Department. Mr. Middlebrook was formerly associated with Brown Brothers Harriman & Co. and the "Wall Street Journal" before his appointment to the Investment Department of the East River Savings Bank in 1939.

Following the annual organization meeting of the Board of Trustees of the Irving Savings Bank of New York the following official changes were announced by Robert A. Barnet, President: Hampden E. Tener retired as Chairman of the Board and was elected Honorary Chairman of the Board; Francis E. Walton was elected Second Vice-President; Arthur H. Anderson retired as Comptroller and was succeeded by John H. Hammett; Leslie G. Cheshire was appointed Assistant Secretary; Richard J. Fisher became Real Estate Officer; Edwin S. Dippold was reappointed Assistant Secretary and, in addition, made Branch Manager.

Four new directors were elected at the annual stockholders' meeting of the National Bronx Bank of New York, held in the main offices, 150th Street at Melrose Avenue, according to the announcement Jan. 11 by Harvey L. Schwamm, President of the institution. Those elected were William Goldfine, Vice-President of the Bank; Robert I. Bloch President of the Empire Mutual Casualty Co.; John A. Eliot, Vice-President and Comptroller of the General Builders' Supply Corp., and Joseph G. Grossman, Vice-President of Great American Industries, Inc. In 1945 the Board will consist of 14 members, the others being Thomas A. Brennan, Robert J. Marony, Frank A. Paladino, John A. Peterson, Karl Propper, John J. Reynolds, A. Edward Scherr, Jr., Harvey L. Schwamm, Robert Siegel and Francis X. Stephens, Jr.

At a meeting of the board of directors of Bankers Trust Company of New York held on Jan. 16, the following changes in official staff were made:

J. S. Taber was elected Vice-President; H. H. Ripley and L. B. Thomas, formerly Assistant Vice-Presidents, were elected Vice-Presidents; C. Borman, formerly Assistant Vice-President, was elected Deputy Comptroller; F. A. Auer, Albert Muller and J. F. Rath, formerly Assistant Treasurers, were elected Assistant Vice-Presidents; H. C. Burrowes, formerly an Assistant Trust Officer, was elected Trust Officer; and George Suppes was elected Assistant Treasurer.

Mr. Taber will join Bankers Trust Company on Jan. 22 as a member of the Banking Department. In 1923 he joined Bradstreet Company and was Vice-President and Treasurer of that concern when it merged with Dun & Bradstreet, Inc. in 1933. From 1937 to 1943 he was associated with the Lawrence Warehouse Co., New York City, and was Vice-President in charge of the Eastern Division when he left. Since then, Mr. Taber has served in the office of the Chief of Ordnance, Army Service Forces, where he was responsible for setting up a warehouse organization and facilities within the Ordnance Department and district offices to care for and store inactive War Department-owned production equipment, together with Ordnance non-military and surplus materials.

F. Abbot Goodhue, President of the Bank of the Manhattan Company of New York, has announced that effective Jan. 15 Frederick J. Freese, Assistant Vice-President, will become executive officer in charge of the Uptown Division of the bank with headquarters at the 369 East 149th Street office. Mr. Freese has been associated with the bank since 1916. After serving as Assistant Manager and Manager of several offices, in 1940 he joined the Executive Department of the Midtown Division. Mr. Freese, who has been active in civic and charitable drives, is the Assistant Treasurer for the 1945 American Red Cross drive in the Bronx.

William C. Thompson, Vice-President, who has been the officer in charge of the Uptown Division since 1930, will make his office at the 40 Wall Street office of the bank.

Winthrop Taylor, trustee and counsel of Kings County Savings Bank of Brooklyn, N. Y., has been elected to the newly created post of Chairman, James R. McLaren, President, announced on Jan. 11. Orrin R. Judd has been named Vice-President, Adam C. Muller Treasurer, Charles F. H. Brau, Controller, Lewis Fuhr Assistant Vice-President, James B. Crane Real Estate Officer, and Charles H. Schmanns, Jr., Mortgage Officer.

The Kings County Trust Co., Brooklyn, N. Y., reported in its statement of condition as of Dec. 30, 1944, that total deposits were $66,110,741 and total assets of $75,032,234, against $54,925,769 and $63,640,542 respectively on Dec. 31, 1943. Cash in banks was shown to be $25,077,820, compared with $15,321,136 last year, while U. S. Government bonds were $30,118,831 against $27,476,155; the capital and surplus were unchanged at $500,000 and $6,500,000 respectively, while undivided profits rose from $565,791 last year to $821,546 at the present time.

The annual meeting of stockholders of the Lafayette National Bank of Brooklyn in New York was held on Jan. 9. All the directors were re-elected and Max C. Meyer was also elected to the Board. A dividend of $1 per share was declared, payable February 15, 1945, to stockholders of record Jan. 31, 1945.

The Peoples National Bank of Brooklyn has declared the regular dividend of $1 per share and 25c per share extra, payable February 1, 1945, to stockholders of record Jan. 9, 1945.

At a meeting of the Board of Directors of the State Street Trust Company, Boston, held on Jan. 15, Marshall H. McCormack of Wellesley was elected Assistant Secretary. Mr. McCormack, who is a graduate of Dorchester High School, entered the service of the bank in May of 1924 and since Sept. 14, 1927, has been a member of the staff at the Copley Square office, 581 Boylston Street.

The Board of Governors of the Federal Reserve System report that the Newton Trust Company, of Newton, Mass., a State member of the Reserve System, absorbed the Waltham National Bank of Waltham, Waltham, Mass., on Jan. 2. In connection with the absorption the State bank moved its location to Waltham and changed its title to Newton-Waltham Bank and Trust Company. Eight branch offices will be maintained in Newton and one in Waltham. Plans regarding the merger were referred to in these columns Nov. 30, page 2392.

Horace K. Corbin, President of Fidelity Union Trust Company, Newark, N. J., announced on Jan. 9 following the annual stockholders meeting, that Josiah Stryker was elected to the Board of Directors. Mr. Stryker, who was admitted to the Bar of New Jersey as an Attorney at Law in June, 1903, and as a Counsellor at Law in 1906, was Legal Assistant to the Attorney-General of New Jersey from 1904 to 1917. In November, 1917, he became Second Assistant Attorney-General of New Jersey, and resigned on April 1, 1918, to become a member of the firm of Lindabury, Depue & Faulks, of Newark, New Jersey. In November, 1936, upon the death of J. Edward Ashmead, he became the senior partner of that firm, the name of which was changed on Dec. 1, 1944, to Stryker, Tams & Horner. Mr. Stryker is a member of the Essex County Bar Association of New Jersey, State Bar Association and was President of that Association for the year 1934 to 1935; he also is a member of the American Bar Association. He is a director of the Prudential Insurance Company.

At the annual meeting of the stockholders of the Fidelity Union Trust Company President Corbin reported that "during the year 1944, with the consent of the Commissioner of Banking and Insurance, we retired the balance of our preferred stock amounting to $2,000,000, all of which was owned by the Reconstruction Finance Corporation."

During the ten years from 1934 to 1944 the trust company's net earnings from operations amounted to $16,624,000, and from security profits $5,870,000. Dividends on preferred and common stocks have amounted to $6,721,000 and surplus and undivided profits have increased $9,693,000. The balance of earnings was transferred to reserves. The net book value of the common stock increased from $19.74 per share on Dec. 31, 1934 to $43.97 on Dec. 31, 1944. The deposits on Dec. 31, 1944, were $380,422,264, having increased $45,430,652 during the year. In this figure is included United States Government War Loan deposit of $87,885,660, compared with $32,604,404 a year ago. During the year the company's holdings of United States Government securities increased $56,820,174 and amounted on Dec. 31, 1944, to $257,200,852.

President Corbin also said, "During the year 1944 we earned, after taxes, from normal operations, $2,198,281 and realized a net profit from the sale of securities of $903,599. Dividends on preferred and common stock of $528,410.90 were paid during the year. We transferred to undivided profits during the year $1,000,000 from loan reserves that were no longer needed and increased our surplus account from $8,000,000 to $12,000,000. Our capital structure compared with last year now stands as follows:

	1943	1944
Capital:		
Preferred	$2,000,000	------
Common	4,000,000	$4,000,000
Surplus	8,000,000	12,000,000
Undivided profits	2,016,353	1,589,823
	$16,016,353	$17,589,823

"The Trust Department has had a profitable year. Through it this compnay continues to serve individuals and corporations with credit and distinction in fiduciary and financial matters."

Harry E. Danner was elected Cashier of the Upper Darby National Bank at Upper Darby, Pa., at the annual organization meeting of the directors, held on Jan. 9. Mr. Danner entered the employ of the Upper Darby National Bank in 1932 as Teller, and was raised to the position of Assistant Cashier in 1936. He is a graduate of the Graduate School of Banking of Rutgers University, class of 1943. He takes the place of C. Walter Stubbs who relinquishes his duties

(Continued on page 304)

Bank of France Transfers Funds to Bank of Belgium

The transfer of $223,292,833 in fine gold from the account of the Bank of France to the account of the National Bank of Belgium was announced on Dec. 22 by John Foster Dulles, counsel for the Belgian Bank, who said the action ended litigation based on the transfer of Belgian funds by France to the German Reichsbank. The Washington "Post" reporting this in Associated Press advices said:

Mr. Dulles said that during the litigation, which the Belgian bank began in 1941, approximately 500 million dollars in gold on account with the Federal Reserve Bank for the Bank of France was attached by the Belgian bank. The attachment was the largest ever made, he said.

The case was settled by agreement last October. Instituted in New York Supreme Court, it had reached the United States Supreme Court.

"After the liberation of France," Dulles said, "prompt steps were taken by the Bank of France to assure that the relations between the two central banks would be on that basis of mutual confidence which had long prevailed between them."

Mr. Dulles, who was Gov. Thomas E. Dewey's foreign affairs adviser in the Presidential campaign, said the litigation was based on events during the winter of 1939-40, when the Belgian Bank intrusted its gold to the Bank of France for safekeeping.

After France was invaded, he said, the French shipped the gold to Dakar, and when the Bank of France came under control of the Vichy government, the gold was flown to Marseilles, delivered to the Reichbank and later sent to Germany.

Mr. Dulles described the shipment to Germany as "outrageous" and said one of France's major items of business after its liberation was to make a settlement with Germany for the gold. The Bank of Belgium has agreed, he added, to help the Bank of France "recover from the German government or the Reichbank" all the gold.

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table.

MOODY'S BOND PRICES†
(Based on Average Yields)

1944-45— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings*				Corporate by Groups*		
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus.
Jan. 16, 1945	121.03	113.70	119.00	117.80	113.70	105.00	109.06	113.70	118.40
15	121.16	113.70	119.00	117.80	113.50	105.00	109.06	113.70	118.40
13	121.25	113.70	119.00	118.00	113.50	104.83	108.88	113.70	118.40
12	121.25	113.70	119.00	118.00	113.50	104.83	109.06	113.70	118.40
11	121.22	113.70	119.00	118.00	113.50	104.83	108.88	113.70	118.40
10	121.03	113.50	119.00	118.00	113.31	104.83	108.88	113.70	118.40
9	120.79	113.50	119.00	117.80	113.31	104.66	108.70	113.70	118.40
8	120.78	113.50	119.00	117.80	113.31	104.66	108.70	113.70	118.20
6	120.67	113.50	119.00	117.80	113.50	104.66	108.70	113.89	118.20
5	120.66	113.50	119.00	117.80	113.50	104.66	108.70	113.89	118.20
4	120.66	113.50	119.00	117.80	113.50	104.48	108.70	113.89	118.20
3	120.62	113.50	118.80	117.80	113.50	104.48	108.70	113.89	118.20
2	120.55	113.50	119.00	117.80	113.31	104.48	108.52	113.89	118.20
1	Stock Exchange Closed								
Dec. 29, 1944	120.55	113.50	119.00	117.80	113.31	104.48	108.70	113.70	118.20
22	120.55	113.50	119.00	117.80	113.31	104.48	108.70	113.89	118.00
15	120.17	113.50	119.00	117.80	113.50	104.48	108.70	113.89	118.00
8	120.09	113.31	119.00	117.80	113.31	104.14	108.34	113.70	118.20
1	119.95	113.31	118.80	117.80	113.50	104.14	108.34	113.89	118.20
Nov. 24	119.93	112.93	118.60	117.20	113.12	103.80	107.98	113.50	117.80
17	119.97	112.93	118.60	117.20	113.12	103.64	107.80	113.50	117.60
10	119.77	112.75	118.40	117.00	112.93	103.30	107.62	113.31	117.40
3	119.55	112.75	118.40	116.80	112.93	103.47	107.62	113.31	117.20
Oct. 27	119.33	112.56	118.40	116.61	112.93	103.47	107.62	113.50	117.20
Sep. 29	119.50	112.56	118.60	116.80	112.56	103.13	106.74	114.08	117.00
Aug. 25	119.89	112.75	118.80	117.40	112.19	103.30	106.74	114.27	117.20
July 28	120.10	112.37	118.60	116.80	112.19	103.13	106.56	114.27	117.00
June 30	120.15	112.37	118.60	116.80	112.00	102.80	106.04	113.89	117.40
May 26	119.66	112.19	118.40	116.80	111.81	102.30	105.86	113.89	117.00
Apr. 28	119.35	111.81	118.40	116.61	111.62	101.47	105.34	113.70	116.41
Mar. 31	119.68	111.44	118.20	116.41	111.25	100.81	104.66	113.70	116.22
Feb. 25	120.21	111.25	118.20	116.41	111.07	100.32	104.31	113.50	116.22
Jan. 28	119.47	111.07	118.20	116.22	111.07	100.16	104.14	113.31	116.41
High 1944-45	121.25	113.70	119.20	118.00	113.70	105.00	109.06	114.27	118.40
Low 1944-45	119.20	110.70	118.20	116.22	110.88	99.04	103.30	113.12	116.02
High 1944	120.58	113.50	119.20	118.00	113.70	104.48	108.70	114.27	118.20
Low 1944	119.20	110.70	118.20	116.22	110.88	99.04	103.30	113.12	116.02
1 Year Ago									
Jan. 15, 1944	119.57	111.25	118.60	116.41	111.25	99.84	104.14	113.50	116.61
2 Years Ago									
Jan. 16, 1943	117.05	108.16	117.20	114.66	109.42	93.82	98.41	112.19	115.04

MOODY'S BOND YIELD AVERAGES
(Based on Individual Closing Prices)

1944-45— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings*				Corporate by Groups*		
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus.
Jan. 16, 1945	1.76	2.97	2.70	2.76	2.97	3.45	3.22	2.97	2.73
15	1.75	2.97	2.70	2.76	2.98	3.45	3.22	2.97	2.73
13	1.74	2.97	2.70	2.75	2.98	3.46	3.23	2.97	2.73
12	1.74	2.97	2.70	2.75	2.98	3.46	3.22	2.97	2.73
11	1.74	2.97	2.70	2.75	2.98	3.46	3.23	2.97	2.73
10	1.76	2.98	2.70	2.75	2.99	3.46	3.23	2.97	2.73
9	1.78	2.98	2.70	2.76	2.99	3.47	3.24	2.97	2.73
8	1.78	2.98	2.70	2.76	2.99	3.47	3.24	2.97	2.74
6	1.78	2.98	2.70	2.76	2.98	3.47	3.24	2.96	2.74
5	1.79	2.98	2.70	2.76	2.98	3.47	3.24	2.96	2.74
4	1.79	2.98	2.70	2.76	2.98	3.48	3.24	2.96	2.74
3	1.79	2.98	2.71	2.76	2.98	3.48	3.24	2.96	2.74
2	1.80	2.98	2.70	2.76	2.99	3.48	3.25	2.96	2.74
1	Stock Exchange Closed								
Dec. 29, 1944	1.80	2.98	2.70	2.76	2.99	3.48	3.24	2.97	2.74
22	1.80	2.98	2.70	2.76	2.99	3.48	3.24	2.96	2.75
15	1.82	2.98	2.70	2.76	2.98	3.48	3.24	2.96	2.75
8	1.83	2.99	2.70	2.76	2.99	3.50	3.26	2.97	2.74
1	1.84	2.99	2.71	2.76	2.98	3.50	3.26	2.96	2.74
Nov. 24	1.84	3.01	2.72	2.79	3.00	3.52	3.28	2.98	2.76
17	1.84	3.01	2.72	2.79	3.00	3.53	3.29	2.98	2.77
10	1.86	3.02	2.73	2.80	3.01	3.55	3.30	2.99	2.78
3	1.87	3.02	2.73	2.81	3.01	3.54	3.30	2.99	2.79
Oct. 27	1.89	3.03	2.73	2.82	3.01	3.54	3.30	2.98	2.79
Sep. 29	1.84	3.03	2.72	2.81	3.03	3.56	3.35	2.95	2.80
Aug. 25	1.81	3.02	2.71	2.78	3.05	3.55	3.35	2.94	2.79
July 28	1.79	3.04	2.72	2.81	3.05	3.56	3.36	2.94	2.80
June 30	1.79	3.04	2.72	2.81	3.06	3.58	3.39	2.96	2.78
May 26	1.84	3.05	2.73	2.81	3.07	3.61	3.40	2.96	2.80
Apr. 28	1.86	3.07	2.73	2.82	3.08	3.66	3.43	2.97	2.83
Mar. 31	1.83	3.09	2.74	2.83	3.10	3.70	3.47	2.97	2.84
Feb. 25	1.81	3.10	2.74	2.83	3.11	3.73	3.49	2.98	2.84
Jan. 28	1.87	3.11	2.74	2.84	3.11	3.74	3.50	2.99	2.83
High 1944-45	1.87	3.13	2.74	2.84	3.12	3.81	3.55	3.00	2.85
Low 1944-45	1.74	2.97	2.69	2.75	2.97	3.45	3.22	2.94	2.73
High 1944	1.87	3.13	2.74	2.84	3.12	3.81	3.55	3.00	2.85
Low 1944	1.77	2.98	2.69	2.75	2.97	3.48	3.24	2.94	2.74
1 Year Ago									
Jan. 15, 1944	1.86	3.10	2.72	2.83	3.10	3.76	3.50	2.98	2.82
2 Years Ago									
Jan. 16, 1943	2.06	3.27	2.79	2.92	3.20	4.15	3.85	3.05	2.90

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

†The latest complete list of bonds used in computing these indexes was published in the issue of Jan. 14, 1943, page 202.

Wholesale Prices Down 0.1% for Week Ended Jan. 6, Labor Department Reports

The Bureau of Labor Statistics' index of commodity prices at the primary market level dropped 0.1% during the first week of January as a result of seasonally lower prices for eggs and citrus fruits, and a decrease for steers, said the U. S. Department of Labor on Jan. 11, which further stated: "The decline brought the all-commodity index to 104.6% of the 1926 average. Average prices for the nearly 900 price series included in the index have risen 0.4% in the past four weeks and were 1.7% higher than at this time last year.

The Department's advices continued:

"**Farm Products and Foods**—Average prices for farm products in primary markets fell 0.6% during the week, led by seasonal declines in prices for eggs, oranges, lemons and sweetpotatoes. Ceiling prices for Florida oranges, grapefruit and tangerines were lowered by OPA effective Jan. 1. In addition, steers declined nearly 4% and hogs were down 0.5%. The grain market advanced with oats and rye up 3.5% and wheat up 0.4%. Higher prices were also reported for cows, sheep and live poultry, and for cotton, hay and onions. Average prices for farm products have advanced 1.2% since the first week in December and were 3.3% higher than at the beginning of last year.

"Prices for foods in primary markets declined 0.9% largely as a result of a decrease of nearly 5% for fruits and vegetables and an average decline of 3% for eggs. Canned tomatoes also were lower. Quotations were higher for oatmeal and rye flour, and for apples and white potatoes in most markets. The index for foods was 0.8% lower than for the first week of December and was at the same level it was a year ago.

"**Industrial Commodities**—There were very few changes in industrial commodity markets. Mercury prices continued to rise under heavy demand. Average prices for the chemicals and drugs group advanced 0.1% as a result of a 75 cents per 100 pounds increase granted by OPA to importers of quebracho extract to cover increased costs."

The Labor Department included the following notation in its report:

Note—During the period of rapid changes caused by price controls, materials allocation, and rationing, the Bureau of Labor Statistics will attempt promptly to report changing prices. Indexes marked (*), however, must be considered as preliminary and subject to such adjustment and revision as required by later and more complete reports.

The following tables show (1) index numbers for the principal groups of commodities for the past three weeks, for Dec. 9, 1944 and Jan. 8, 1944, and the percentage changes from a week ago, a month ago, and a year ago and (2) percentage changes in subgroup indexes from Dec. 30, 1944 to Jan. 6, 1945.

WHOLESALE PRICES FOR WEEK ENDED JAN. 6, 1945
(1926=100)

Commodity Groups—	1-6 1945	12-30 1944	12-23 1944	12-9 1944	1-8 1944	Percentage change to Jan. 6, 1945 from— 12-30 1944	12-9 1944	1-8 1944
All commodities	*104.6	*104.7	*104.6	*104.2	102.9	—0.1	+0.4	+ 1.7
Farm products	125.9	126.7	126.2	124.4	121.9	—0.6	+1.2	+ 3.3
Foods	104.6	105.5	105.7	105.4	104.6	—0.9	—0.8	0
Hides and leather products	117.9	117.9	116.7	116.7	117.9	0	+1.0	0
Textile products	99.0	99.0	99.0	98.9	97.2	0	+0.1	+ 1.9
Fuel and lighting materials	83.6	83.6	83.7	83.7	82.6	0	—0.1	+ 1.2
Metals and metal products	*103.9	*103.9	*103.9	*103.9	103.9	0	0	0
Building materials	116.4	116.4	116.4	116.4	113.4	0	0	+ 2.6
Chemicals and allied products	104.9	104.8	104.8	104.8	100.3	+0.1	+0.1	+ 4.6
Housefurnishing goods	106.1	106.1	106.1	106.1	104.4	0	0	+ 1.6
Miscellaneous commodities	93.9	93.9	93.9	93.9	93.0	0	0	+ 1.0
Raw materials	115.4	115.7	115.4	114.3	112.1	—0.3	+1.0	+ 2.9
Semimanufactured articles	94.7	94.7	94.7	94.7	93.1	0	0	+ 1.7
Manufactured products	*101.3	*101.3	*101.3	*101.3	100.4	0	0	+ 0.9
All commodities other than farm products	*99.9	*99.8	*99.8	*99.8	98.9	+0.1	+0.1	+ 1.0
All commodities other than farm products and foods	*99.1	*99.1	*99.0	*99.0	97.8	0	+0.1	+ 1.3

*Preliminary.

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM
DEC. 30, 1944 TO JAN. 6, 1945

Increases			
Livestock and poultry	0.8	Chemicals	0.2
Grains	0.6	Cereal products	0.1
Nonferrous metals	0.1		
Decreases			
Fruits and vegetables	4.8	Other farm Products	1.7
Other foods	0.7		

Electric Output for Week Ended Jan. 13, 1945 Increased 1.7% Over Same Week Last Year

The Edison Electric Institute, in its current weekly report, estimated that the production of electricity by the electric light and power industry of the United States for the week ended Jan. 13, 1945, was approximately 4,614,334,000 kwh., which compares with 4,539,083,000 kwh. in the corresponding week a year ago, and 4,427,281,000 kwh. in the week ended Jan. 6, 1945. The output of the week ended Jan. 13, 1945, was 1.7% in excess of that in the same week last year.

PERCENTAGE INCREASE OVER PREVIOUS YEAR

Major Geographical Divisions—	Week Ended— Jan. 13	Dec. 30	Dec. 16	Dec. 9
New England	3.5	0.4	1.3	0.8
Middle Atlantic	*0.7	*5.1	*4.0	*4.6
Central Industrial	3.4	0.7	1.6	2.3
West Central	10.2	6.4	9.4	7.5
Southern States	5.4	*1.7	2.0	2.4
Rocky Mountain	*9.6	*12.4	*10.4	*8.0
Pacific Coast	*0.2	*3.8	*4.6	*2.9
Total United States	1.7	*2.6	*1.1	*0.6

*Decrease under similar week in previous year.

Note—Because the same week a year ago contained the Christmas or New Year holiday, no percentage comparisons are available for the weeks ended Dec. 23 or Jan. 6.

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended—	1944	1943	% Change over 1943	1942	1932	1929
Oct. 7	4,375,079	4,341,754	+ 0.8	3,702,299	1,507,503	1,806,403
Oct. 14	4,354,575	4,382,260	— 0.6	3,717,360	1,528,145	1,798,633
Oct. 21	4,345,352	4,415,405	— 1.6	3,752,571	1,533,028	1,824,160
Oct. 28	4,358,293	4,452,592	— 2.1	3,774,891	1,525,410	1,815,749
Nov. 4	4,354,939	4,413,863	— 1.3	3,761,961	1,520,730	1,798,164
Nov. 11	4,396,595	4,482,665	— 1.9	3,775,878	1,531,584	1,793,584
Nov. 18	4,450,047	4,513,299	— 1.4	3,795,361	1,475,268	1,818,169
Nov. 25	4,368,519	4,403,342	— 0.8	3,766,381	1,510,337	1,718,002
Dec. 2	4,524,257	4,560,158	— 0.8	3,883,534	1,518,922	1,806,225
Dec. 9	4,538,012	4,566,905	— 0.6	3,937,524	1,563,384	1,840,863
Dec. 16	4,563,079	4,612,994	— 1.1	3,975,873	1,554,473	1,860,021
Dec. 23	4,616,975	4,295,010	--	3,655,926	1,414,710	1,637,683
Dec. 30	4,225,814	4,337,287	— 2.6	3,779,993	1,619,265	1,542,000

Week Ended—	1945	1944	% Change over 1944	1943	1932	1929
Jan. 6	4,427,281	4,567,959	--	3,952,587	1,602,482	1,733,810
Jan. 13	4,614,334	4,539,083	+ 1.7	3,952,479	1,598,201	1,736,721
Jan. 20		4,531,662		3,974,202	1,588,967	1,717,315
Jan. 27		4,523,763		3,976,844	1,588,853	1,728,203

Steel Production Slightly Higher— Some Steel Prices Raised — Buying Heaviest in Months

The American Iron and Steel Institute on Jan. 15 announced that telegraph reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 93.6% of capacity for the week beginning Jan. 15, compared with 93.0% one week ago, 96.3% one month ago and 96.1% one year ago. The operating rate for the week beginning Jan. 15 is equivalent to 1,688,400 tons of steel ingots and castings, compared to 1,677,500 tons one week ago, 1,732,400 tons one month ago and 1,720,900 tons one year ago.

"Steel" of Cleveland, in its summary of the iron and steel markets, on Jan. 15 stated in part as follows: "Interim increases of $2 to $5 per ton in ceiling prices of five basic steel products marks the first break from prices frozen in 1941, with the exception of two minor changes to adjust inequalities. The increases are based on a cost survey conducted before the steel wage case came up and have no relation to the advance recently approved as a result of the War Labor Board's decision in that case.

"The new prices are effective as of Jan. 11 and apply to carbon plates, hot-rolled carbon and galvanized sheets, rails, and nails and staples.

"Steel buying, now by far the heaviest in recent months, continues to expand, involving bars, sheets, strip, plates, shapes and wire in the upward trend. Various specialties, including alloys, in general are more active than for more than a year.

"Contributing to this upsurge is not only expansion in critical war programs, notably guns and ammunition in large variety, but also rapid increase in the schedule of parts replacements and a disposition among buyers generally to increase inventories where possible, contrasting with the tendency to curtail, only a short time ago. Some lines, including rails and tin plate, are being affected adversely, schedules being reduced to provide more steel and rolling facilities for urgently needed munitions requirements.

"Severe weather, as well as demand, have contributed to some degree to mounting backlogs in some districts, retarding rolling schedules and checking movement of pig iron and scrap. Pressure for these basic materials is now greatest in months. Deliveries in general fall into second quarter and even later, though occasional promise of an earlier shipment is possible. Considerable current business now can obtain no better than third quarter scheduling. Directives are being used again to expedite materials most urgently needed, thus pushing back other pressing tonnages already scheduled.

"Scrap prices have returned to ceilings on all but a few grades in some areas, a result of heavy demand to sustain a high rate of steel production and also because of storm interference in the industrial area.

"Increases in price of hot-rolled sheets, plates and nails brought a rise in the composite of 82 cents, from $56.73 to $57.55. Other composites remained unchanged, semifinished steel $36, steel-making pig iron $23.05 and steel-making scrap $19.17."

November Living Costs Up

Living costs of wage earners and lower-salaried clerical workers rose from October to November in 43 of the 64 industrial cities that are surveyed each month by the National Industrial Conference Board. Declines were shown for 15 cities, while living costs were unchanged in six cities.

The largest increase occurred in Spokane, with a 1.2% advance, followed by increases ranging from 0.9% down to 0.6% in Kansas City (Mo.), Los Angeles, Roanoke, San Francisco-Oakland, Atlanta, Baltimore, Dayton, Louisville, New Haven, Omaha, and Wausau, Wis. The largest decline, of 0.4%, occurred in Newark. There was no change in Richmond, Birmingham, Buffalo, Erie, Joliet, and Portland, Ore.

Moody's Daily Commodity Index

Tuesday, Jan. 9, 1945	254.3
Wednesday, Jan. 10	254.6
Thursday, Jan. 11	254.3
Friday, Jan. 12	253.8
Saturday, Jan. 13	254.0
Monday, Jan. 15	253.9
Tuesday, Jan. 16	253.9
Two weeks ago, Jan. 2	252.1
Month ago, Dec. 16, 1944	252.1
Year ago, Jan. 15	247.3
1943 High, April 1	249.8
Low, Jan. 2	240.2
1944 High, Jan. 8	255.3
Low, Jan. 12	253.8

Weekly Coal and Coke Production Statistics

The Solid Fuels Administration, U. S. Department of the Interior, in its latest report, states that the total production of soft coal in the week ended Jan. 6, 1945, is estimated at 10,575,000 net tons, an increase of 2,265,000 tons over that in the Christmas week. In the corresponding week of last year output totaled 12,250,000 tons. This latter period did not include New Year's Day.

According to the U. S. Bureau of Mines, production of Pennsylvania anthracite for the week ended Jan. 6, 1945, was estimated at 792,000 tons, an increase of 8,000 tons (1%) over the preceding week. When compared with the output in the corresponding week of 1944 there was a decrease of 315,000 tons, or 28.5%.

The estimated production of beehive coke in the United States for the week ended Jan. 6, 1945, showed an increase of 3,800 tons when compared with the output for the week ended Dec. 30, 1944, but was 64,200 tons less than for the corresponding week of last year.

ESTIMATED UNITED STATES PRODUCTION OF BITUMINOUS COAL AND LIGNITE IN NET TONS

	Week Ended		
Bituminous coal and lignite—	Jan. 6, 1945	Dec. 30, 1944	Jan. 8, 1944
Total, including mine fuel	10,575,000	8,310,000	12,250,000
Daily average	*1,888,000	†1,662,000	2,042,000

*Average based on 5.6 working days. †Average based on 5 working days.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE
(In Net Tons)

	Week Ended			Calendar Year to Date		
Penn. anthracite—	‡Jan. 6, 1945	§Dec. 30, 1944	Jan. 8, 1944	Jan. 6, 1945	Jan. 8, 1944	Jan. 9, 1937
*Total incl. coll. fuel	792,000	784,000	1,107,000	792,000	1,117,000	1,278,000
†Commercial produc.	760,000	753,000	1,063,000	760,000	1,072,000	1,214,000
Beehive coke—						
United States total	87,800	84,000	152,000	75,300	172,900	82,800

*Includes washery and dredge coal and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Subject to revision. §Revised.

ESTIMATED WEEKLY PRODUCTION OF COAL, BY STATES
(In Net Tons)

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

	Week Ended		
State—	Dec. 30, 1944	Dec. 23, 1944	Jan. 1, 1944
Alabama	253,000	328,000	318,000
Alaska	5,000	7,000	7,000
Arkansas and Oklahoma	64,000	85,000	84,000
Colorado	123,000	163,000	174,000
Georgia and North Carolina	1,000	1,000	¶
Illinois	1,215,000	1,440,000	1,399,000
Indiana	453,000	598,000	464,000
Iowa	44,000	53,000	53,000
Kansas and Missouri	160,000	186,000	149,000
Kentucky—Eastern	692,000	857,000	910,000
Kentucky—Western	247,000	340,000	280,000
Maryland	25,000	29,000	33,000
Michigan	1,000	2,000	3,000
Montana (bitum. & lignite)	110,000	113,000	100,000
New Mexico	23,000	32,000	33,000
North & South Dakota (lignite)	66,000	60,000	73,000
Ohio	398,000	555,000	463,000
Pennsylvania (bituminous)	1,828,000	2,535,000	2,322,000
Tennessee	96,000	120,000	142,000
Texas (bituminous & lignite)	4,000	4,000	5,000
Utah	105,000	142,000	125,000
Virginia	274,000	320,000	360,000
Washington	28,000	32,000	27,000
†West Virginia—Southern	1,274,000	1,762,000	1,967,000
‡West Virginia—Northern	650,000	908,000	849,000
Wyoming	170,000	208,000	176,000
§Other Western States	1,000	¶	¶
Total bituminous & lignite	8,310,000	10,880,000	10,515,000
Pennsylvania anthracite	*	*	*

†Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason, and Clay counties. ‡Rest of State, including the Panhandle District and Grant, Mineral and Tucker counties. §Includes Arizona and Oregon. ¶Less than 1,000 tons. *Figures on anthracite are published in the Weekly Anthracite and Coke Report.

National Fertilizer Association Commodity Price Index Declines

The weekly wholesale commodity price index, compiled by The National Fertilizer Association and made public on Jan. 15, declined to 139.9 in the week ending Jan. 13, 1945, from 140.1 in the preceding week. A month ago the index stood at 139.5, and a year ago at 136.7, based on the 1935-1939 average as 100. The Association's report went on to say:

The farm products group was the only composite group of the index that declined and it more than offset higher prices in the foods and textiles indexes, which advanced. The cotton index rose to the highest point since its peak reached July 8, 1944. The grains index declined with quotations for wheat declining and rye prices advancing silghtly. A substantial decline in cattle and hog prices much more than offset a rise in the prices for sheep and eggs thus causing a sharp drop in the livestock group. The foods index advanced fractionally because of higher prices for potatoes, eggs, and chickens, The textiles group index rose to a new high point reacting to higher quotations for raw cotton. All other groups in the index remained unchanged.

During the week 6 price series in the index declined and 6 advanced; in the preceding week there was 1 decline and 10 advances; in the second preceding week there were 5 declines and 9 advances.

WEEKLY WHOLESALE COMMODITY PRICE INDEX
Compiled by The National Fertilizer Association
1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week Jan. 13, 1945	Preceding Week Jan. 6, 1945	Month Ago Dec. 16, 1944	Year Ago Jan. 15, 1944
25.3	Food	144.2	143.9	144.4	139.7
	Fats and Oils	144.6	144.6	145.3	146.1
	Cottonseed Oil	160.7	160.7	163.1	159.6
23.0	Farm Products	164.8	165.9	163.4	154.2
	Cotton	207.8	207.2	204.4	190.1
	Grains	159.4	159.9	159.0	165.1
	Livestock	159.7	161.4	158.3	145.0
17.3	Fuels	130.4	130.4	130.4	129.5
10.8	Miscellaneous Commodities	133.4	133.4	133.2	131.4
8.2	Textiles	156.2	156.1	155.2	150.4
7.1	Metals	105.8	105.8	105.8	104.4
6.1	Building Materials	154.1	154.1	154.0	152.4
1.3	Chemicals and Drugs	125.4	125.4	125.1	127.7
.3	Fertilizer Materials	118.3	118.3	118.3	117.7
.3	Fertilizers	119.9	119.9	119.9	119.9
.3	Farm Machinery	104.8	104.8	104.7	104.2
100.0	All groups combined	139.9	140.1	139.5	136.7

*Indexes on 1926-1928 base were: Jan. 13, 1945, 109.0; Jan. 6, 1945, 109.1, and Jan. 15, 1944, 106.5.

Civil Engineering Construction Volume $22,891,000 for Week

Civil engineering construction volume in continental United States totals $22,891,000 for the week. This volume, not including the construction by military engineers abroad, American contracts outside the country, and shipbuilding, is 70% under the total reported by "Engineering News-Record" for the corresponding 1944 week, 4% under the previous four-week moving average, and compares with $28,809,000 for the holiday-shortened preceding week. The report made public on Jan. 11 went on to say:

Private construction gains 25% over the week in 1944, but public construction is down 77% due to the 81% decline in Federal work. State and municipal construction climbs 243% over a year ago.

The current week's construction brings 1945 volume to $51,700,000 for the two weeks, a total 47% lower than the $97,777,000 reported in the 1944 period. Private construction, $22,611,000, is 83% above last year, but public work, $29,089,000, is down 66% as a result of the 76% drop in Federal volume. State and municipal construction tops the 1944 period by 210%.

Civil engineering construction volumes for the 1944 week, the short preceding week, and the current week are:

	Jan. 13, 1944 (five days)	Jan. 4, 1945 (four days)	Jan. 11, 1945 (five days)
Total U. S. Construction	$76,180,000	$28,809,000	$22,891,000
Private Construction	5,145,000	16,181,000	6,430,000
Public Construction	71,035,000	12,628,000	16,461,000
State and Municipal	965,000	6,255,000	3,310,000
Federal	70,070,000	6,373,000	13,151,000

In the classified construction groups, gains over the preceding week are in water works, sewerage, public buildings, earthwork and drainage, and unclassified construction. Increases over the corresponding 1944 week are in water works, sewerage, bridges, industrial buildings, earthwork and drainage, and streets and roads. Sub-totals for the week in each class of construction are: water works, $1,042,000; sewerage, $987,000; bridges, $383,000; industrial buildings, $5,141,000; commercial building and large-scale private housing, $524,000; public buildings, $6,981,000; earthwork and drainage, $650,000; streets and roads, $1,292,000; and unclassified construction, $5,891,000.

New capital for construction purposes for the week totals $3,395,000. It is made up of $3,300,000 in state and municipal bond sales, and $95,000 in corporate security issues. The week's new financing brings the two-week 1945 total to $86,084,000, a volume 36% lower than the $133,621,000 reported in 1944.

Non-Ferrous Metals—Settling Basis for Tin Concentrate Purchases Raised; Quicksilver Up

"E. & M. J. Metal and Mineral Markets," in its issue of Jan. 11, stated: "Bolivian tin concentrate contracts are being revised upward, the extent of the rise granted producers amounting to the equivalent of 3½¢ per pound of tin. Quicksilver again moved upward, advancing $10 per flask. The price schedule for mercurials was raised Jan. 10 to meet the higher cost of the metal. Interest in major non-ferrous metals centered in the heavy war demands. Monthly deliveries over the first quarter are expected to exceed those of the same period last year. The premium price plan will be extended to meet the expanding metal requirements, according to producers." The publication further went on to say in part:

Copper

Consumption of copper in the United States for 1945 has been tentatively fixed by WPB officials at 1,800,000 tons. Authorities in Washington hope to maintain the stockpile at a fairly high level by purchasing copper, required for the war program that is in excess of domestic productions, from Canada, Chile, Peru and Rhodesia.

In fact, purchases from outside sources have been increased, but importations may not reflect this for several months.

Estimates on the tonnage that will go to consumers during the current month are still mounting in size, and some observers believe that 160,000 tons is on the low side.

Importations of unwrought copper by the United Kingdom in 1943 totaled 494,000 long tons, according to figures released by the British authorities. This contrasts with 441,000 tons imported in 1942; 451,000 tons in 1941; 474,000 tons in 1940; 307,000 tons in 1939; and on average of 262,000 tons yearly in the 1935-1938 period. The statistics refer to "retained imports."

Lead

Demand for lead was fairly active last week. Buying interest would have been more pronounced, producers claim, except for the limitation order and the inventory requirements imposed under the regulations.

Washington still views the lead outlook as critical, and some members of the industry would not be surprised if the regulations governing the use of lead are again tightened. At first it was thought that the conservation plan would be given a thorough test for a period of at least three months.

Sales last week amounted to 10,791 tons, against 4,037 tons in the week previous.

Zinc

The slab zinc statistics for December furnished a surprise in that deliveries were larger than industry estimates indicated. Shipments totaled 84,096 tons, against 65,608 tons in November and a monthly average for the year of 70,228 tons. The deliveries fell only slightly short of the peak of 84,431 tons moved last March. Producers believe that consumers were unprepared for the stepped-up war program, and the heavy movement of zinc in December reflected the need to build up inventories.

The November and December statistics of the American Zinc Institute, in tons, are summarized as follows:

	Nov.	Dec.
Stocks at beginning	244,344	246,168
Production	67,432	70,033
Production, daily rate	2,248	2,259
Shipments:		
Domestic	65,568	84,074
Export	40	22
	65,608	84,096
Unfilled orders	16,058	21,332
Stock at end	246,168	232,105

The record of production, shipments, and stocks for the last six years, in tons, follows:

	Production	Shipments	Stock At End
1939	538,198	598,972	65,995
1940	706,100	762,780	17,582
1941	863,955	857,471	24,066
1942	929,770	885,568	68,268
1943	971,873	887,638	173,510
1944	901,330	842,735	232,105

Some brass makers who have been specifying Special High Grade now find that the supply is drying up. However, according to trade authorities, the stockpile contains substantial tonnages of Regular High Grade.

Antimony

Demand for antimony and antimony oxide continues at a high level, with perhaps more interest in the last-named item than in the metal, owing to extra war demands. The call for oxide has increased in recent months, and the supply situation is generally described as tight. Call for antimoney oxide for fireproofing of canvas and other fabric has been heavy.

Tin

Bolivian producers of tin concentrates have been granted a higher settling basis, according to advices from Washington. Details of the arrangement are not available, but, in general, it appears that the higher basis will extend over a period of one year, retroactive to July 1, 1944. The settling basis is to be 62¢ per pound for tin contained, f.o.b. South American ports, plus a reduction in the smelting charge of 1½¢. In effect, this lifts the price from 60¢ to 63½. Contracts covering the revision in the base price will be ready soon and signed shortly.

The price situation in tin in the United States market remains unchanged. Straits quality tin for shipment, in cents per pound, was as follows:

	Jan.	Feb.	March
January 4	52.000	52.000	52.000
January 5	52.000	52.000	52.000
January 6	52.000	52.000	52.000
January 8	52.000	52.000	52.000
January 9	52.000	52.000	52.000
January 10	52.000	52.000	52.000

Chinese, or 99% tin, continued at 51.125¢ per pound.

Quicksilver

With the San Francisco market still rising, the trend of prices here last week continued upward. Early in the week there was talk of stabilizing prices and it was believed that some authorities in Washington also weighed this possibility. However, as the week ended sellers took the stand that nothing would come out of such a move at this time, as no one appeared interested in halting the advance.

The November statistics of the Bureau of Mines were viewed with interest, particularly the figure showing that consumption did not rise above 3,900 flasks. Domestic production declined from 2,700 flasks in October to 2,300 flasks in November. Metal is being imported regularly, but the Bureau's figures do not cover this phase of the business.

Though some sellers were asking $160 and higher for spot metal in small lots, sales of January-February quicksilver covering wholesale lots were reported at prices ranging from $150 to $155 per flask.

Silver

The London market was quiet and unchanged at 25½d. for basis .999 silver. The New York Official continued at 44¾¢ for foreign silver, and 70⅝¢ for domestic.

Ruml Reappointed By N. Y. Reserve Bank

Beardsley Ruml, Treasurer of R. H. Macy & Co., Inc., was reappointed a Class C director of the Federal Reserve Bank of New York for a three-year term beginning January 1 and has been redesignated as Chairman of the bank's board of directors, a position which he has held since January 1, 1941.

William I. Meyers, Dean of the New York State College of Agriculture, Cornell University, Ithaca, New York, has been reappointed Deputy 'Chairman of the New York Reserve Bank for the current year; Marion B. Folson, Treasurer of Eastman Kodak Co., Rochester, N. Y., has been reappointed a director of the Buffalo branch of the New York Reserve Bank for a three-year term.

Daily Average Crude Oil Production for Week Ended Jan. 6, 1945 Fell Off 27,350 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended Jan. 6, 1945 was 4,678,550 barrels, a decrease of 27,350 barrels per day when compared with the preceding week and 46,150 barrels below the daily average figure recommended by the Petroleum Administration for War for the month of January, 1945. The current figure, however, was 313,700 barrels per day in excess of the output for the week ended Jan. 8, 1944. Daily production for the four weeks ended Jan. 6, 1945 averaged 4,702,250 barrels. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,656,000 barrels of crude oil daily and produced 14,472,000 barrels of gasoline; 1,393,000 barrels of kerosine; 4,533,000 barrels of distillate fuel, and 9,092,000 barrels of residual fuel oil during the week ended Jan. 6, 1945; and had in storage at the end of that week, 86,616,000 barrels of gasoline; 10,782,000 barrels of kerosine; 38,298,000 barrels of distillate fuel, and 56,074,000 barrels of residual fuel oil.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	•P. A. W. Recommendations January	•State Allowables begin. Jan. 1	Actual Production Week Ended Jan. 6, 1945	Actual Production Change from Previous Week	Actual Production 4 Weeks Ended Jan. 6, 1945	Actual Production Week Ended Jan. 8, 1944
Oklahoma	352,000	356,000	†361,200	+ 1,200	359,700	332,050
Kansas	274,000	269,400	†229,900	—41,200	261,900	265,900
Nebraska	1,200	----	†1,000	----	1,000	1,500
Panhandle Texas			88,700	— 50	88,750	97,900
North Texas			143,150	+ 2,550	141,250	140,200
West Texas			478,600	+ 7,250	473,150	265,050
East Central Texas			144,050	+ 2,600	142,100	116,400
East Texas			370,900	— 100	370,950	366,200
Southwest Texas			342,350	— 3,100	344,700	293,550
Coastal Texas			552,600	— 350	552,850	520,800
Total Texas	2,124,000	‡2,124,054	2,120,350	+ 8,800	2,113,750	1,900,100
North Louisiana			70,450	— 550	71,050	77,900
Coastal Louisiana			289,200	— 400	289,500	280,900
Total Louisiana	355,000	395,000	359,650	— 950	360,550	358,800
Arkansas	80,000	79,975	81,000	+ 250	80,800	79,400
Mississippi	53,000		49,700	— 2,400	51,450	45,650
Alabama	300		250	+ 50	200	----
Florida	----		50	----	50	----
Illinois	200,000		206,900	+ 4,800	202,350	210,900
Indiana	12,500		12,700	+ 300	12,400	13,000
Eastern— (Not incl. Ill., Ind., Ky.)	68,200		62,450	+ 4,700	60,700	66,750
Kentucky	32,000		29,700	— 2,700	31,150	21,250
Michigan	47,000		49,250	— 2,800	50,300	46,100
Wyoming	100,000		95,000	+ 1,350	95,750	89,950
Montana	23,000		20,450	— 900	21,100	21,100
Colorado	9,500		9,200	— 750	9,400	7,750
New Mexico	105,000	105,000	103,200	----	103,200	112,950
Total East of Calif.	3,836,700		3,791,950	—30,250	3,815,750	3,573,150
California	888,000	§888,000	886,600	+ 2,900	886,500	791,700
Total United States	4,724,700		4,678,550	—27,350	4,702,250	4,364,850

•P.A.W. recommendations and state allowables, as shown above, represent the production of crude oil only, and do not include amounts of condensate and natural gas derivatives to be produced.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m. Jan. 4, 1945.

‡This is the net basic allowable as of Jan. 1 calculated on a 31-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 2 to 15 days, the entire state was ordered shut down for 7 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 7 days shutdown time during the calendar month.

§Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED JAN. 6, 1945

(Figures in Thousands of barrels of 42 Gallons Each)

Figures in this section include reported totals plus an estimate of unreported amounts and are ——therefore on a Bureau of Mines basis——

District—	Daily Refining Capacity Potential Rate	Daily Refining Capacity % Reporting	Crude Runs to Stills Daily Average	Crude Runs to Stills % Operated	§Gasoline Production at Refineries Includ. Natural Blended	‡Stocks Finished and Unfinished Gasoline	‡Stocks of Gas Oil and Distillate Fuel Oil	‡Stocks of Residual Fuel Oil
East Coast	729	100.0	715	98.1	1,785	11,683	8,830	6,573
Appalachian—								
District No. 1	130	83.9	93	71.5	299	2,667	511	354
District No. 2	47	87.2	58	123.4	223	1,671	222	231
Ind., Ill., Ky.	824	85.2	770	93.4	2,898	19,296	6,068	3,097
Okla., Kans., Mo.	418	80.2	387	92.6	1.451	8,395	2,276	1,423
Inland Texas	278	66.9	229	82.4	901	2,832	393	658
Texas Gulf Coast	1,165	90.5	1,133	97.3	3,409	15,193	7,132	9,556
Louisiana Gulf Coast	242	95.5	245	101.2	863	4,738	1,665	1,305
No. La. & Arkansas	104	68.0	79	76.0	226	2,589	676	238
Rocky Mountain—								
District No. 3	13	17.0	11	84.6	36	77	20	32
District No. 4	141	58.3	106	75.2	332	1,662	345	510
California	817	89.9	830	101.6	2,049	15,813	10,160	32,097
Total U. S. B. of M. basis Jan. 6, 1945	4,903	87.2	4,656	94.9	14,472	*86,616	38,298	56,074
Total U. S. B. of M. basis Dec. 30, 1944	4,908	87.2	4,798	97.8	15,342	86,614	39,495	57,430
U. S. Bur. of Mines basis Jan. 8, 1944			4,226		12,567	76,924	41,004	54,570

*Composed of 13,223 barrels of unfinished, 44,397,000 barrels civilian-grade automotive and 28,996,000 barrels aviation, military, solvents and naphthas and gasoline blending stocks indeterminate as to ultimate use. Comparable week of last year: 11,505,000; 41,918,000 and 23,501,000 barrels respectively. Due to an error just discovered, the stocks of civilian-grade automotive should be decreased 180,000 barrels each week back to Nov. 4, 1944. Stocks of aviation, military, etc. should be increased a corresponding amount. This week's figures are comparable with this revised trend. ‡Stocks at refineries, at bulk terminals, in transit and in pipe lines. §Not including 1,393,000 barrels of kerosine, 4,533,000 barrels of gas oil and distillate fuel oil and 9,092,000 barrels of residual fuel oil produced during the week ended Jan. 6, 1945, which compares with 1,518,000 barrels, 4,257,000 barrels and 9,156,000 barrels, respectively, in the preceding week and 1,502,000 barrels, 4,524,000 barrels and 8,845,000 barrels, respectively, in the week ended Jan. 8, 1944.

Note—Stocks of kerosine at Jan. 6, 1945 amounted to 10,782,000 barrels, as against 11,296,000 barrels a week earlier and 9,259,000 barrels a year before.

Trading on New York Exchanges

The Securities and Exchange Commission made public on Jan. 10 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended Dec. 23, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended Dec. 23 (in round-lot transactions) totaled 2,480,152 shares, which amount was 16.97% of the total transactions on the Exchange of 7,309,730 shares. This compares with member trading during the week ended Dec. 16 of 2,825,481 shares, or 15.39% of the total trading of 9,174,850 shares. On the New York Curb Exchange, member trading during the week ended Dec. 23 amounted to 194,955 shares, or 6.22% of the total volume on that exchange of 1,566,080 shares; during the Dec. 16 week trading for the account of Curb members of 564,755 shares was 14.03% of total trading of 2,012,100 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED DEC. 23, 1944

A. Total Round-Lot Sales:	Total for week	†%
Short sales	186,750	
‡Other sales	7,122,980	
Total sales	7,309,730	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stock in which they are registered—		
Total purchases	630,090	
Short sales	60,020	
‡Other sales	515,760	
Total sales	575,780	8.25
2. Other transactions initiated on the floor—		
Total purchases	384,360	
Short sales	24,130	
‡Other sales	328,090	
Total sales	352,220	5.04
3. Other transactions initiated off the floor—		
Total purchases	251,470	
Short sales	20,250	
‡Other sales	265,982	
Total sales	286,232	3.68
4. Total—		
Total purchases	1,265,920	
Short sales	104,400	
‡Other sales	1,109,832	
Total sales	1,214,232	16.97

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED DEC. 23, 1944

A. Total Round-Lot Sales:	Total for week	†%
Short sales	12,255	
‡Other sales	1,553,825	
Total sales	1,566,080	
B. Round-Lot Transaction for Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	15,275	
Short sales	7,960	
‡Other sales	8,015	
Total sales	15,975	1.00
2. Other transactions initiated on the floor—		
Total purchases	40,700	
Short sales	800	
‡Other sales	38,000	
Total sales	38,800	2.53
3. Other transactions initiated off the floor—		
Total purchases	45,880	
Short sales	555	
‡Other sales	37,770	
Total sales	38,325	2.69
4. Total—		
Total purchases	101,855	
Short sales	9,315	
‡Other sales	83,785	
Total sales	93,100	6.22
C. Odd-Lot Transactions for Account of Specialists—		
Customers' short sales	0	
§Customers' other sales	66,902	
Total purchases	66,902	
Total sales	38,661	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Johnston of Chemical Bank & Trust Co. Reports Net Operating Earnings In 1944

"Another excellent year with substantial earnings" was indicated by Percy H. Johnston, Chairman of the Chemical Bank & Trust Company of New York, in his annual report to the stockholders on Jan. 9. Mr. Johnston states that "the regular dividend of $3,600,000 was earned and paid to the shareholders and provision made for all expenses and losses." He adds "the amount of $2,345,000 was provided for Income, Franchise and other taxes and $743,459.80 was paid for Federal Deposit Insurance. There was also charged against current income $5,441,871 for amortization of bond premiums; $60,000 for reduction of the banking house on West 51st Street (adjoining Rockefeller Plaza); $750,000 in reduction of the book value of the office building at 270 Broadway (erected on the site of our former banking home); $400,118.48 for employee welfare, after which $3,128,784.06 was added to the Bank's net worth.

"In October $5,000,000 was transferred from Unallocated Reserves to Surplus Fund, as it was felt that reserves were more than ample for all contingencies. This increases the Surplus to $60,000,000." The report shows total operating income in the year 1944 of $17,113,594, compared with $15,201,863; and net operating earnings in the year just closed of $7,639,244 as contrasted with $6,836,818 in 1943. Capital, surplus, undivided profits and unallocated reserves are shown as $94,757,907 at the end of 1944 as against $87,977,467 at the close of 1943.

Mr. Johnston states that "we have continued to take a leading part in the financing of the war and our principal effort has been directed to that end," and he further says:

"War industry loans and commitments made amounted to $231,945,085 and in the Government Bond Campaigns during the year our Team, No. 7, procured 204,064 subscriptions amounting to $1,009,489,673. The Bank's holdings of United States Government obligations at the end of 1944 amounted to $836,557,275.32 an increase of $178,828,869.65 for the year."

It was noted by Mr. Johnston that "the deposits of New York City banks are not growing in the same proportion as those in other large centers, as the vast amount of money being used to finance the war goes to the heavy manufacturing districts over the country and by the time the funds flow back to New York, further war bond campaigns absorb such deposits."

Citing the steady decline in holdings of real estate, other than the banking houses, he is reported as saying that the bank "was practically out of the real estate business." In the "Wall Street Journal" of Jan. 10 it was stated: "Profits of the bank, Mr. Johnston indicated, would have to increase between $3.5 million and $4 million before the bank would be subject to excess profits taxes.

"The average maturity of Government bond holdings as of the end of 1944 was three years and eight months. The chairman said he 'has no fear or concern' regarding these holdings. He is concerned principally with continuing the reduction in the premium account on these bonds, which last year was reduced by $10 million, he said, and expects the premium account to be eliminated in the future."

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on Jan. 10 a summary for the week ended Dec. 30 of complete figures showing the daily volume of stock transactions for odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended Dec. 30, 1944

	Total for Week
Odd-Lot Sales by Dealers (Customers' purchases)	
Number of orders	23,002
Number of shares	676,872
Dollar value	$27,060,754
Odd-Lot Purchases by Dealers— (Customers' sales)	
Number of Orders:	
Customers' short sales	235
*Customers' other sales	22,466
Customers' total sales	22,701
Number of Shares:	
Customers' short sales	8,216
*Customers' other sales	628,207
Customers' total sales	636,423
Dollar value	$21,569,166
Round-Lot Sales by Dealers—	
Number of Shares:	
Short sales	40
†Other sales	195,080
Total sales	195,120
Round-Lot Purchases by Dealers:	
Number of shares	219,640

*Sales marked "short exempt" are reported with "other sales."

†Sales to offset customers' odd-lot orders, and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Revenue Freight Car Loadings During Week Ended Jan. 6, 1945, Increased 98,210 Cars

Loading of revenue freight for the week ended Jan. 6, 1945, totaled 682,967 cars, the Association of American Railroads announced on Jan. 11. This was a decrease below the corresponding week of 1944 of 86,662 cars, or 11.3%, and a decrease below the same week in 1943 or 34,209 cars or 4.8%.

Loading of revenue freight for the week of Jan. 6, which included New Year's holiday increased 98,210 cars, or 16.8% above the preceding week, which included Chirstmas holiday.

Miscellaneous freight loading totaled 335,646 cars, an increase of 39,945 cars above the preceding week, but a decrease of 17,946 cars below the corresponding week in 1944.

Loading of merchandise less than carload lot freight totaled 89,184 cars, an increase of 5,754 cars above the preceding week, but a decrease of 10,811 cars below the corresponding week in 1944.

Coal loading amounted to 149.234 cars, an increase of 33,504 cars above the preceding week, but a decrease of 27,907 cars below the corresponding week in 1944.

Grain and grain products loading totaled 39,555 cars, an increase of 3,468 cars above the preceding week but a decrease of 15,175 cars below the corresponding week in 1944. In the Western Districts alone, grain and grain products loading for the week of Jan. 6, totaled 28,321 cars, an increase of 3,246 cars above the preceding week but a decrease of 11,067 cars below the corresponding week in 1944.

Livestock loading amounted to 15,339 cars, an increase of 4,928 cars above the preceding week but a decrease of 1,840 cars below the corresponding week in 1944. In the Western Districts alone loading of livestock for the week of Jan. 6, totaled 11,026 cars, an increase of 3,579 cars above the preceding week, but a decrease of 1,119 cars below the corresponding week in 1944.

Forest products loading totaled 31,144 cars, an increase of 9,714 cars above the preceding week, but a decrease of 6,403 cars below the corresponding week in 1944.

Ore loading amounted to 9,870 cars, an increase of 947 cars above the preceding were but a decrease of 4,583 cars below the corresponding week in 1944.

Coke loading amounted to 12,995 cars, a decrease of 50 cars below the preceding week, and a decrease of 1,997 cars below the corresponding week in 1944.

All districts reported decreases compared with the corresponding weeks in 1944 and 1943.

	1945	1944	1943
Revised years figures	------	43,441,266	42,439,951
Week of January 6	682,967	769,629	717,176

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended Jan. 6, 1945. During the period only 28 roads showed increases when compared with the corresponding week a year ago.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS
(NUMBER OF CARS) WEEK ENDED JAN. 6

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1945	1944	1943	1945	1944
Eastern District—					
Ann Arbor	248	268	267	1,258	433
Bangor & Aroostook	2,323	2,326	2,164	597	199
Boston & Maine	6,059	6,127	5,252	13,167	13,677
Chicago, Indianapolis & Louisville	*969	1,082	1,237	*1,420	1,767
Central Indiana	26	32	42	39	40
Central Vermont	921	840	935	1,468	2,060
Delaware & Hudson	3,694	5,163	5,182	10,914	12,533
Delaware, Lackawanna & Western	5,516	7,093	6,206	7,552	10,468
Detroit & Mackinac	132	160	285	91	108
Detroit, Toledo & Ironton	1,302	2,316	1,761	1,036	2,172
Detroit & Toledo Shore Line	280	285	269	2,194	2,976
Erie	9,492	11,480	10,477	14,411	17,638
Grand Trunk Western	3,016	3,020	3,905	7,371	8,217
Lehigh & Hudson River	144	165	150	2,408	2,482
Lehigh & New England	1,214	1,574	1,710	1,008	1,222
Lehigh Valley	5,414	8,012	7,121	8,109	14,739
Maine Central	1,946	2,004	2,236	3,935	3,795
Monongahela	5,110	5,808	6,139	430	351
Montour	1,854	2,562	2,134	18	19
New York Central Lines	37,172	45,669	41,674	46,686	49,231
N. Y., N. H. & Hartford	8,309	9,032	8,303	15,418	17,939
New York, Ontario & Western	625	1,043	1,238	2,776	2,538
New York, Chicago & St. Louis	5,052	6,590	6,240	13,232	15,573
N. Y., Susquehanna & Western	305	560	520	1,699	1,829
Pittsburgh & Lake Erie	6,910	7,775	7,132	6,367	7,440
Pere Marquette	3,689	4,259	4,016	5,664	7,897
Pittsburg & Shawmut	595	838	657	6	8
Pittsburg, Shawmut & North	251	283	293	168	270
Pittsburgh & West Virginia	689	835	638	2,641	2,192
Rutland	310	272	230	746	1,131
Wabash	5,014	6,328	5,298	11,310	11,223
Wheeling & Lake Erie	4,219	4,029	4,914	4,163	3,834
Tot	122,800	147,830	138.626	188,392	217,001
Allegheny District—					
Akron, Canton & Youngstown	642	752	584	1,245	1,087
Baltimore & Ohio	36,058	40,669	34,205	23,734	25,780
Bessemer & Lake Erie	1,661	2,930	2,927	1,338	1,226
Buffalo Creek & Gauley	†	†	323	†	†
Cambria & Indiana	1,378	1,676	1,715	8	4
Central R. R. of New Jersey	5,221	6,165	5,560	16,231	19,587
Cornwall	365	455	558	47	35
Cumberland & Pennsylvania	110	221	190	9	18
Ligonier Valley	72	132	102	21	35
Long Island	1,076	1,234	951	2,979	2,927
Penn-Reading Seashore Lines	1,465	1,476	1,411	2,078	2,330
Pennsylvania System	65,298	72,759	65,362	54,617	62,045
Reading Co.	11,522	14,219	12,670	23,888	26,271
Union (Pittsburgh)	17,268	19,246	20,450	3,133	4,152
Western Maryland	3,455	4,007	3,795	11,161	13,387
Total	145,591	166,091	150,803	140,489	158,884
Pocahontas District—					
Chesapeake & Ohio	26,135	29,093	26,155	10,743	9,955
Norfolk & Western	19,424	21,972	20,255	7,636	6,783
Virginian	4,638	4,815	4,560	2,089	1,824
Total	50,197	55,880	50,970	20,468	18,562
Southern District—					
Alabama, Tennessee & Northern	288	301	284	344	319
Atl. & W. P.—W. R. R. of Ala	817	787	734	3,049	2,348
Atlanta, Birmingham & Coast	743	633	691	1,342	1,248
Atlantic Coast Line	12,905	12,322	14,855	10,857	10,044
Central of Georgia	3,398	3,589	3,508	4,185	4,559
Charleston & Western Carolina	370	321	368	1,582	1,592
Clinchfield	1,490	1,599	1,624	3,088	3,856
Columbus & Greenville	280	221	346	258	227
Durham & Southern	117	89	95	644	677
Florida East Coast	3,012	2,962	2,268	1,443	1,353
Gainesville Midland	45	36	33	112	83
Georgia	1,184	1,038	1,112	2,812	2,372
Georgia & Florida	407	385	415	585	663
Gulf, Mobile & Ohio	3,716	3,712	3,243	3,303	3,399
Illinois Central System	24,020	27,917	25,095	13,799	15,303
Louisville & Nashville	23,762	24,075	23,441	10,985	12,086
Macon, Dublin & Savannah	170	157	173	706	825
Mississippi Central	246	251	146	472	401
Nashville, Chattanooga & St. L.	2,827	2,960	2,990	3,864	4,546
Norfolk Southern	725	911	952	1,944	1,478
Piedmont Northern	524	386	312	1,142	1,379
Richmond, Fred. & Potomac	452	366	315	9,990	10,441
Seaboard Air Line	9,493	10,833	10,691	7,914	9,897
Southern System	21,673	21,266	20,498	22,709	22,040
Tennessee Central	501	543	528	709	1,005
Winston-Salem Southbound	112	130	103	887	915
Total	113,277	117,790	114,820	108,725	113,056
Northwestern District—					
Chicago & North Western	12,709	15,644	14,014	11,534	13,367
Chicago Great Western	2,148	2,764	2,434	3,016	2,850
Chicago, Milw., St. P. & Pac.	17,749	21,229	19,553	8,305	10,262
Chicago, St. Paul, Minn. & Omaha	3,141	4,340	4,026	3,293	3,757
Duluth, Missabe & Iron Range	960	1,128	1,093	140	239
Duluth, South Shore & Atlantic	452	882	626	498	533
Elgin, Joliet & Eastern	8,371	8,328	7,993	9,956	10,799
Ft. Dodge, Des Moines & South	298	420	383	71	88
Great Northern	10,206	12,733	11,644	4,752	5,040
Green Bay & Western	423	550	434	755	791
Lake Superior & Ishpeming	203	212	264	60	55
Minneapolis & St. Louis	1,570	2,453	1,806	2,018	2,188
Minn., St. Paul & S. S. M.	3,855	5,834	4,522	2,385	3,092
Northern Pacific	8,428	10,119	9,284	5,162	5,373
Spokane International	184	105	92	420	427
Spokane, Portland & Seattle	1,786	2,223	1,659	3,041	3,283
Total	72,483	88,964	79,827	55,406	62,144
Central Western District—					
Atch., Top. & Santa Fe System	21,379	21,154	21,164	11,084	10,760
Alton	2,500	2,944	3,122	2,930	3,767
Bingham & Garfield	404	465	390	*75	72
Chicago, Burlington & Quincy	17,137	21,511	16,634	10,579	12,295
Chicago & Illinois Midland	2,597	2,892	2,455	759	861
Chicago, Rock Island & Pacific	11,166	12,353	11,537	11,342	12,640
Chicago & Eastern Illinois	2,416	2,510	2,250	4,906	5,578
Colorado & Southern	558	681	808	1,927	2,012
Denver & Rio Grande Western	3,131	3,523	3,896	5,489	5,267
Denver & Salt Lake	700	992	770	8	29
Fort Worth & Denver City	697	582	1,049	921	932
Illinois Terminal	1,998	1,980	1,557	1,728	1,558
Missouri-Illinois	814	1,062	939	525	460
Nevada Northern	1,445	1,657	2,090	104	143
North Western Pacific	553	696	778	693	688
Peoria & Pekin Union	1	34	8	0	0
Southern Pacific (Pacific)	25,892	26,144	27,039	12,306	12,188
Toledo, Peoria & Western	330	439	372	1,537	1,647
Union Pacific System	16,478	16,395	14,804	13,374	14,618
Utah	536	663	608	5	10
Western Pacific	1,900	1,939	2,282	3,705	4,017
Total	112,632	120,616	114,552	83,997	89,548
Southwestern District—					
Burlington-Rock Island	278	241	668	373	196
Gulf Coast Lines	6,877	7,791	5,229	2,422	2,619
International-Great Northern	2,377	1,838	3,434	2,873	3,850
Kansas, Oklahoma & Gulf	175	252	317	912	891
Kansas City Southern	4,312	5,057	5,116	2,438	2,090
Louisiana & Arkansas	2,763	3,282	3,648	2,172	2,623
Litchfield & Madison	249	292	240	1,058	1,051
Midland Valley	568	784	565	393	641
Missouri & Arkansas	107	149	166	422	282
Missouri-Kansas-Texas Lines	5,753	5,763	5,996	4,737	4,875
Missouri Pacific	15,398	17,905	15,351	16,516	21,040
Quanah Acme & Pacific	52	60	90	330	207
St. Louis-San Francisco	8,024	8,617	8,544	6,218	9,632
St. Louis Southwestern	3,174	2,673	3,295	6,624	6,989
Texas & New Orleans	11,080	12,517	10,722	4,900	4,424
Texas & Pacific	4,695	5,145	4,099	6,951	7,466
Wichita Falls & Southern	78	78	77	20	79
Weatherford M. W. & N. W.	27	14	21	23	22
Total	65,987	72,458	67,578	59,382	68,978

*Previous week's figures. †Included in Baltimore & Ohio RR.

Note—Previous year's figures revised.

Weekly Statistics of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1944—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity	
				Current	Cumulative
October 7	217,096	158,946	541,424	96	94
October 14	139,347	154,719	523,875	96	94
October 21	133,028	156,269	499,929	94	94
October 28	146,003	157,806	486,882	95	94
November 4	207,817	157,644	535,745	96	94
November 11	141,154	158,266	515,738	96	94
November 18	135,644	156,667	494,062	96	94
November 25	110,144	149,062	450,898	91	94
December 2	189,731	154,682	484,811	94	94
December 9	173.669	154,822	501,946	95	94
December 16	137,936	152,695	480,929	94	94
December 23	126,115	149,031	451,891	94	94
December 30	109,895	88,105	471,289	57	93
January 6	189,769	125,882	532,194	80	80

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

Results Of Treasury Bill Offering

The Secretary of the Treasury announced on Jan. 15 that the tenders of $1,300,000,000 or thereabouts, of 91-day Treasury bills to be dated Jan. 18 and to mature April 19, 1945, which were offered on Jan. 12, were opened at the Federal Reserve Banks on Jan. 15.

The details of this issue are as follows:

Total applied for, $2,197,862,000. Total accepted $1,302,234,000 (includes $73,032,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price 99.905, equivalent rate of discount approximately 0.375% per annum.

Range of accepted competitive bids:

High, 99.915, equivalent rate of discount approximately 0.336% per annum.

Low, 99.905, equivalent rate of discount approximately 0.376% per annum.

(54% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Jan. 18 in the amount of $1,313,861,000.

Final Figures on Sixth War Loan—National Quota of $14 Billion Exceeded by 50%

Secretary Morgenthau announced on Jan. 4 the final figures on the Sixth War Loan. Total subscriptions for each of the securities offered in this drive were as follows:

E Savings Bonds	$2,868,000,000
F and G Savings Bonds	719,000,000
Savings Notes	2,429,000,000
⅞% Certificates	4,405,000,000
1¼% Treasury Notes	1,550,000,000
2% Treasury Bonds	6,939,000,000
2½% Treasury Bonds	2,711,000,000
Total	$21,621,000,000

The Treasury announcement also says:

"The national quota of $14,000,000,000 was exceeded by more than 50% and the E Bond quota by $368,000,000.

"Preliminary figures indicate that subscriptions by individuals aggregated about $5,900,000,000, exceeding that quota by $900,000,000.

"In addition to those which applied to the drive, the Treasury received subscriptions from commercial banks, based on their savings deposits, which aggregated $1,014,000,000, of which $886,000,000 were for the 2% Treasury bonds."

[Previous items bearing on the Sixth War Loan and the results of the drive appeared in these columns Dec. 21, page 2742, and Dec. 28, page 2837.]

Lumber Movement Week Ended Jan. 6, 1945

According to the National Lumber Manufacturers Association, lumber shipments of 445 mills reporting to the National Lumber Trade "Barometer" were 12% above production for the week Jan. 6, 1945. In the same week new orders of these mills were 18.8% more than production. Unfilled order files of the reporting mills amounted to 91% of stocks. For reporting softwood mills, unfilled orders are equivalent to 36 days' production at the current rate, and gross stocks are equivalent to 37 days' production.

Compared to the average corresponding week of 1935-39, production of reporting mills was 34.6% greater; shipments were 31.7% greater, and orders were 23.7% greater.

Items About Banks, Trust Companies

(Continued from page 299)

as Cashier, but continues as Vice-President.

In its condition statement as at the close of business on Dec. 30, 1944, the Mellon National Bank of Pittsburgh, Pa., shows total resources of $617,235,188 and total deposits of $558,886,205, compared respectively with $546,427,478 and $490,628,294 on Dec. 31, 1943. The principal items comprising the resources in the current statement are U. S. Government securities, $445,361,766, against $370,115,709 a year ago; cash and due from banks $120,088,813, compared with $122,014,956, and loans and discounts, $35,803,574, against $40,165,067. The bank's capital is unchanged at $7,500,000, while the surplus rose from $32,500,000 last year to $35,000,000 at the present time.

William L. Batt, Vice-Chairman of the War Production Board and President of S. K. F. Industries, has been elected a director of the Philadelphia National Bank, to fill the vacancy caused by the death of Rodman E. Griscom. Mr. Batt was a member of the President's Special Mission to Moscow, with the rank of Minister, in 1941, and received the BOK Philadelphia award for 1942.

The Fifth-Third Union Trust Co., Cincinnati, Ohio, reported in its statement of condition as of Dec. 30, 1944, total deposits of $235,986,056 and total assets of $250,453,396, against $230,903,139 and $244,732,244, respectively, for June 30, 1944. The principal items comprising the resources in the last report are: Cash and due from banks, $66,268,225, as against $69,827,774 six months ago; United State bonds (direct and guaranteed), $112,246,466, compared with $94,177,855, while other bonds and securities stood at $12,328,751, against $12,820,088 a half year ago. The capital and surplus are $6,000,000 each, against $6,000,000 and $5,500,000 respectively on June 30, and undivided profits are shown to be $1,187,396, compared with $1,229,306 last June.

A. M. Strong has been elected Vice-President of the American National Bank & Trust Company of Chicago, in charge of its Foreign Department. Mr. Strong has been in the foreign banking field since 1916, and for the past 13 years has been in charge of the Foreign Department of the Public National Bank & Trust Company of New York. He is widely known as an author and lecturer on financial and foreign trade topics, and is a director of the Bankers Association for Foreign Trade, being Chairman of its Committee on Uniformity in Documents and Practices. He will assume his new duties with the American National on Feb. 1.

Other new officers elected by the Board of Directors of the American National Bank & Trust Company of Chicago at its annual meeting were Edmund L. Andrews, advanced from Assistant Secretary to Assistant Vice-President; Everett C. Dovale, elected Assistant Secretary, and Howard J. Johnson, elected Assistant Trust Officer. All three of these men are on the staff of the Bank's Trust Department.

The Directors re-elected all other officers.

The Continental Illinois National Bank & Trust Co. of Chicago reported in its statement of condition as of Dec. 30, 1944, total deposits of $2,447,740,036, against $2,170,231,315 on Dec. 31, 1943, and total resources of $2,619,821,040, against $2,332,695,700 a year ago; the most important items comprising the bank's resources are: U. S. Government obligations, $1,638,809,259, compared with $1,402,546,404 last year; cash and due from banks, $502,196,052, against $482,925,343; loans and discounts, $401,391,526, compared with $359,905,569 on Dec. 30 of last year.

The Harris Trust and Savings Bank, Chicago, in its statement of condition as of Dec. 30, 1944, reports total deposits of $510,677,765 and total assets of $542,575,614, comparing, respectively, with $447,286,229 and $476,111,484 on Dec. 31, 1943. The chief items comprising the resources in the current statement are: Cash on hand and due from banks, $137,640,242, against $109,117,270; loans and discounts, $119,381,374, compared with $105,572,144; United States Government securities are now shown as $114,558,789, against $93,500,620; State and municipal securities, $32,900,905, compared with $28,905,765, and other bonds and securities, $40,862,283, against $36,786,897. During the year the bank's capital rose to $8,000,000, while surplus is unchanged at $12,000,000; undivided profits Dec. 31, 1944, stand at $1,395,789, against $2,277,408 at the end of 1943.

The board of directors of the Industrial National Bank of Chicago made the following changes in the official roster, according to an announcement on Jan. 10 by Robert B. Umberger, Executive Vice-President of the bank: Howell E. Hammer, Assistant Vice-President, formerly Assistant Cashier; William B. Shapiro, Assistant Vice-President, formerly Assistant Cashier; Wilbur C. Hargis, Assistant Vice-President, formerly Manager, FHA Department, and Charles F. Collatz, Assistant Cashier, formerly Manager, Transit Department. All of the other officers were re-elected.

Following his presentation on Jan. 9 of the annual figures of the bank, Walter S. McLucas, Chairman of the Board of the National Bank of Detroit, Mich., entered into general comment, in which he made the statement that "the role of our Government is twofold—that of leading the nations of the world in the establishment and the maintenance of a relatively stable system of international payments and that of insuring, to the greatest possible extent, a peaceful world in which to live." Mr. McLucas went on to say:

"The disruptions in international finance before and during the war were so severe that it is obviously necessary to arrange new methods of international exchange that will be sound and sufficiently broad to remove the mechanical obstacles to the free flow of trade. This task was undertaken at Bretton Woods last July at the United Nations Monetary and Financial Conference. The fact that 44 nations attempted to cooperate on this matter in the midst of war is in itself of great significance. Likewise, it is highly significant that nations are endeavoring to find some method of collective security from aggression, as discussed at the Dumbarton Oaks Conference. These matters are far from completion and may not be workable in their present form but the efforts of the nations to arrive at proper answers to these all-important and perplexing questions may well be the source of real satisfaction to us in America. . . .

"Our indispensable need is for a program that we can agree on and believe in, to guide us in both our domestic and foreign economic affairs—a set of policies that are fair, far-sighted and firm, and that are solidly grounded on the fundamental democratic principles of economic and political freedom for all citizens. With vigilance and cooperation in support of such a program we can, I have confidence, attain the state of well-being that we want and deserve."

Mr. McLucas also took occasion to warn against a rising National debt, saying in part:

"The theory that government borrowing and spending is necessary and not harmful as a method of creating prosperity is still distorting the thinking of many people. There is a widespread belief that the Government has sources of funds other than from taxation imposed upon the people and that there is no need for restraint on government borrowing because 'we owe it to ourselves.' The experiments with this fallacious theory were the cause of grave concern in the period preceding the war to all who understood the ultimate consequences of this procedure.

"If, as I believe, we as a nation demand the highest possible standard of living with the minimum of restrictions on freedom and opportunity, this nation must have a private competitive economy that works. But this kind of economy will not work if the national debt is constantly increasing, or if aggregate wage payments are too far above or too far below the value of all goods produced and services rendered, or if the profit motive is suppressed, or if labor uses its power to interfere with the efficient functioning of management, or if private monopolies are permitted to exist, or if taxes are so high as to stifle enterprise. These are some of the fundamentals that are often violated or disregarded, seemingly to the advantage of some groups, but actually with heavy long-term loss to all."

In his report to the stockholders Mr. McLucas stated that "steadily during the year 1944 the bank's resources have increased in keeping with the expanding war economy of the nation, and each month has brought an increased volume of banking activity."

From his report we also quote:

"Earnings available for the common stock after all charges, including reserves, were $4,242,382.36, or $4.24 per share on the 1,000,000 shares outstanding at Dec. 31, 1944. This compares with $3.25 per share on the same number of shares for 1943.

"Gross income for 1944 was $2,190,597.51 greater than in 1943, due largely to the increased volume of funds we had available to employ in loans to business and in investments. Loan commitment fees, Trust Department revenues and other fees for services performed increased moderately.

"Expenses of operation increased during the year by $684,686.30, taxes increased $99,862.13, Federal Deposit Insurance premium expense increased $56,504.23, and interest paid on savings deposits increased $303,354.34.

"The banking business is one which operates upon a narrow margin of profit. Aside from certain fees collected for specific services rendered, the bank's income is derived from the utilization of the resources placed in its hands by depositors and stockholders. For the year 1944 the National Bank of Detroit derived gross income at the annual rate of 1.04% from the employment of its resources, while fees collected amounted to .20% on resources, making 1.24% over-all. Expenses, taxes, Preferred stock dividends and reserves consumed .89% as related to resources, leaving .35% on resources in net profit available for additions to Capital account and for the payment of Common stock dividends.

"Profits of $348,954.69 were realized from the sale of United States Government securities in 1944. This amount was added to the Special Reserve for Premiums on Government Securities.

"A transfer of $665,367.97 from regular income was made to other reserves."

The bank reports deposits as of Dec. 31, 1944 of $1,246,007,535. As to Capital, Surplus and Undivided Profits, etc., the report says—

"The Capital Account at Dec. 31, 1944, was as follows: Preferred stock—340,000 shares, $25 par, $8,500,000; common stock—1,000,000 shares, $10 par, $10,000,000; surplus, $19,000,000; undivided profits, $4,407,941.34*; total, $41,907,941.34.

"The transfer of $7,500,000 from Undivided Profits to Surplus, previously referred to, was effected on Nov. 13, 1944.

The $8,500,000 of Preferred stock shown above is the balance of the $12,500,000 originally subscribed by the Reconstruction Finance Corporation in 1933. Of the $33,407,941.34 Common Capital, Surplus and Undivided Profits, $12,500,000 was paid in and $20,907,941.34 has been earned.

"Reserves—$5,596,266.48; of this amount, $3,199,081.77 represents a reserve for losses which might arise in the future. This compares with $2,644,000.82 at Dec. 31, 1943. $200,000 is segregated as a reserve for post-war employment adjustments. The balance of the account, $2,197,184.71, represents reserves for expenses and for Preferred stock dividends.

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*In keeping with the policy of the Reconstruction Finance Corporation and in order to conserve capital during the period of deposit growth while the country is at war, we have suspended, temporarily, the retirement of Preferred stock. By agreement we have earmarked $2,130,625 of Undivided Profits representing the amount which normally would have been retired and will not use such funds for the payment of dividends or other similar purposes.

The Bank of Holden, Holden, Mo., became a member of the Federal Reserve Bank on Jan. 3, it was announced by the Federal Reserve Bank of St. Louis, which stated:

"The new member was chartered in 1872. It has total capital accounts of $74,045 and total resources of $1,196,833.78. Its officers are: W. F. McCutchen, President; M. R. Snyder, Vice-President; E. L. Angell, Vice-President; J. M. DeMasters, Cashier, and Marguerite Murray, Assistant Cashier.

"The addition of the Bank of Holden brings the total membership of the Federal Reserve Bank of St. Louis to 476. These member banks hold over 70% of the net deposits of all banking institutions in the Eighth (St. Louis) District."

Announcement is made of the election of E. O. Terry as Vice-President of the Mercantile National Bank of Dallas.

The directors of the California Bank of Los Angeles announce the election on Jan. 10, of Arch W. Anderson as Chairman of the Board, and Frank L. King as President.

At the annual meeting of the Wells Fargo Bank of San Francisco, W. F. Gabriel and R. H. Rebele, Vice-Presidnts of the bank, were elected directors. John D. Boden and G. W. Colby were advanced from Assistant Cashiers to Assistant Vice-Presidents. Lloyd H. Brinck and Edward E. Munger were elected Assistant Cashiers. All other directors and officers were re-elected. President I. W. Hellman reported that during 1944 gross earnings taken up from the bank's operations, according to the books, were $6,661,260.74. General expenses were $3,373,121.38, and taxes, $994,205.48. Of the remaining $2,293,933.88, regular dividends of $1,170,000 were paid; $717,321.20 provided as reserve on loans and investments, and $406,612.63 carried forward in undivided profits. Deposits increased from $449,051,875 to $452,420,936. The bank sold on behalf of the Government, War Savings Bonds, War Savings Stamps, and Treasury Tax Savings Notes to the amount of $109,992,694.10 during 1944.

All directors of Bank of America National Trust & Savings Association, San Francisco, were re-elected at the annual meeting of shareholders. At the organization meeting of the directors which followed, all officers of the bank were renamed to their positions. In his message to the shareholders, President L. M. Giannini said:

"Our growth during the past year, as in 1943 and 1942, may be traced substantially to war activity, but this circumstance in no way dims the fact that over the full span of our first 40 years the main force in our growth and development has been the patronage of the small customer. As 1944 was nearing its close our bank had $3,000,366 deposit accounts and approximately $430,000 loans on its books."

Mr. Giannini stated that during 1944 considerably increased emphasis was placed on the degree of liquidity and marketability of the investment portfolio. Government issues due or callable in less than one year, he said, constituted 64% of the bank's Government portfolio at the end of 1944, in comparison with 43% at the close of 1943, 36% at the end of 1942, and 13% at December 31, 1941. Calling attention to the bank's increased loan volume, President Giannini said: "Most of the changes in specific classes of loans were attributable to some phase of the war, but the fact that total loans increased was due, at least in part, to our endeavor to meet every legitimate credit requirement and our aim to maintain Bank of America as credit headquarters for the small borrower as well as the large."

The directors of the Bank of America at a meeting on Dec. 16 adopted a resolution proposing an increase in the bank's capital stock by the issuance of 800,000 new shares of common stock. More than 140 underwriters and 800 dealers participated in the nationwide offering. The new stock authorized by the stockholders on Dec. 28 increases capital funds of the bank by approximately $40,000,000 to about $220,000,000, exclusive of valuation reserves and after giving effect to the current dividend. Shareholders of record at close of business Dec. 16 were entitled to subscribe for one share of the new stock for each five shares of common stock owned, and subscriptions at the public offering price were received by the bank up to Dec. 28. A nationwide group of investment bankers, managed by Eastman, Dillon & Co., Lehman Brothers and the First Boston Corporation, undertook to purchase such of the new shares not subscribed for by the existing shareholders. Public offering of a substantial part of this stock was made immediately. The new stock has the same par value as the existing common stock, $12.50 per share. The public offering price is to be $53 per share. Transamerica Corporation, the bank's largest shareholder, cooperated in every way to facilitate the offering, Mr. Giannini stated.

Paul S. Dick, President of the United States National Bank of Portland, Oregon, announces the promotion of Hugh J. Walker from the position of Comptroller to the office of Cashier. Mr. Walker, who has been active in banking circles throughout Oregon, was affiliated with the West Coast National Bank at the time that institution was purchased by the United States National. From 1930 to 1937 Mr. Walker was closely associated with the supervision of operations and systems for the head office and branches of the United States National Bank. In 1937 he was elevated to the position of chief clerk and in 1939 was made Comptroller, which position he has held until his present promotion.